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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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16 February 1985

**EAST EUROPE REPORT  
ECONOMIC AND INDUSTRIAL AFFAIRS**

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INTERNATIONAL AFFAIRS

PROBLEMS, PROSPECTS OF EAST-WEST RELATIONS

East Berlin IPW FORSCHUNGSHEFTE in German Vol 19 No 3, 1984 pp 5-48, 85-116, 119-121

[Excerpts] Summary

Nitz, Juergen/Freiberg, Paul: Problems of East-West Economic Relations.

Taking into account the June 1984 conference of the most senior representatives of the CEMA member countries in Moscow, the current main trends of East-West economic relations are described, in particular the influence of the interrelation of politics and economics on the economic relations between socialist and capitalist countries.

Starting from the basic political and economic orientation of the states of the socialist community to an equal and mutually beneficial development of East-West economic relations--on the firm foundation of socialist economic integration and the coordinated foreign policy of the states of the socialist community--, Chapter I examines the trends of these relations in the 1970's and early 1980's, with due consideration for the influence exerted by the changing political and economic framework. The economic war, unleashed by the reactionary forces--in particular U.S. imperialism--against the states of the socialist community, is analyzed. Evidence is supplied of the operation of the CEMA members' increased economic strength as the material base of its policy for peace, international detente and mutually beneficial cooperation with other states. In connection with the fact that, considering the primacy of politics, military disarmament and the preservation of peace are of preeminent significance for the prospects of East-West economic relations, too, their specific place value in international relations is demonstrated. The results of economic cooperation in the 1970's are dealt with in detail, and so are the conclusions arising therefrom for the 1980's, the influence exerted by the economic circumstances of the capitalist world economy, the imperialist strategies of economic policy against the background of generally changed political and economic conditions.

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Chapter III deals with the growing role of the imperialist state in East-West economic relations. Examined here are the specific factors on which the

relatively strong commitment of the bourgeois states in East-West economic relations is based. The contradictory effects of state monopolistic influence are demonstrated as well as the interrelation between state and monopoly, the factors of this influence encouraging and obstructing East-West economic relations and the role of international instruments as a new kind of mechanism for the organization of these relations.

Chapter IV describes the potentials of and approaches to economic relations in the 1980's, inclusive of the opportunities for promoting confidence, as well as the influence of East-West economic cooperation on the democratization of international economic relations.

#### Introduction

The Council for Economic Mutual Aid (CEMA) celebrates its 35th anniversary this year. It is a decisive starting point for the development of the economic and scientific-technological potential of its member countries and thereby also contributes to the successful construction of socialism and communism. For the socialist countries in Europe, the thriving economic cooperation in CEMA is also the basis for the organization of their economic relations with capitalist industrial countries. "The growing economic strength of the CEMA member countries turned into the material base for its policy of peace, international detente and mutually beneficial cooperation with other countries," says the statement of the Economic Conference of CEMA Member Countries at the Highest Level, which met in Moscow on 12-14 June 1984.(1)

In terms of history, the period of economic relations between socialist and capitalist countries is certainly not very long--the first such relations arose not quite 70 years ago between the young Soviet state and capitalist states. However, it is long enough for us to analyze its results, problems and trends as well as the future prospects of trade and cooperation between East and West. This seems an important concern not least because we are dealing with a very changeable history with many highs and lows--to this day. At no time was it a matter only of the economic preconditions and dimensions in the economic relations between countries of the two opposing social systems. Always at issue also was the question of the political climate and basic political consideration determining the respective economic relations. Often the core of the problem was represented by the alternative: Imperialist economic warfare against socialism or economic cooperation for the reciprocal benefit?

Considered from this aspect, East-West relations passed through several stages since the late 1940's, characterized by contradictory developments but, ultimately, by continuity also.(2)

-- Up to the end of the 1950's--early 1960's, and despite the extraordinary efforts with regard to the development of economic relations by the socialist countries, primarily the USSR with its constructive initiatives, these relations were subordinated to the cold war by the imperialist countries and therefore characterized by the Western economic war against the socialist

countries. This policy of economic war, practiced by the imperialist states, was the principal reason why the CEMA countries were unable until the 1960's and even later to be involved on an equal footing and to an extent consonant with their development standard in the international division of labor or in economic cooperation.

-- When this openly aggressive imperialist policy against socialism failed in the field of economics, mainly due to the effects of the change in the balance of strength in favor of socialism and the constructive policy of the socialist countries, the imperialist countries began to reconsider their policy in direction of a changeover from the cold war to political detente. This signaled the beginning of a stage when the imperialist concept of "economic bridge building" gained in importance. Though economic relations expanded, there was no lack of attempts by means of economic relations to influence various CEMA countries, to "divide" them, to obstruct their economic progress and cooperation--but without success.

-- As a result of political detente, strengthened by the preparations for the Conference on Security and Cooperation in Europe, the 1970's witnessed substantial progress in economic cooperation between socialist states and developed capitalist industrial countries. Though some problems remained to be dealt with, it is still necessary (citing the Moscow Conference communique) "to consolidate and multiply all the positive achievements scored in the international relations of the 1970's, strengthen mutual confidence and develop equal cooperation among states regardless of their social systems."(3)

-- At the transition to the 1980's, East-West economic relations and the relatively much more intensive cooperation relations are again compelled to stand the test of far more complex political and economic situations. They are subjected to many adverse effects generated by serious cyclical fluctuations, uncertainties in the movement of prices, changing exchange rates, breakdowns of the financial structure and the policy of high interest rates. This was emphasized at an international symposium, organized in Berlin in May 1984 by the IPW and the GDR Committee for European Security and Cooperation.(4) Ruling U.S. circles are once again endeavoring to misuse international economic relations for their political objectives. They organize a trade, credit and technological blockade, complete with embargoes, sanctions and breaches of contract running counter to international law. In addition they are exerting pressure on their allies, specially in Western Europe, to compel them to adhere to this U.S. hegemonical policy. East-West relations are particularly sensitive to the interrelation of economics and politics. They are obstructed when confrontation predominates, promoted at times of the primacy of a constructive policy of disarmament, political detente and cooperation.(5)

In the following we will examine some of the problems related to the above from the various aspects of the interfacing between economics and politics, the close link between the preservation of peace and the development of mutually beneficial economic relations. We will subsequently demonstrate that--consonant with historic experience--the policy of undermining the peaceful bases of international relations vis-a-vis the countries of the

socialist community in order to affect their policies, is doomed to total failure.

In the Moscow Communiqué, the CEMA member countries state: "Relying on their growing economic and scientific-technical potential, the benefits of socialist planning, they consolidate their unity and cooperation. They thus have at their disposal everything necessary to resist any pressure and discrimination as well as all attempts to obstruct their development and involvement in international economic cooperation."(6) At the same time, the CEMA countries decided on a comprehensive program with respect to the main trends of the further development and deepening of economic and scientific-technical cooperation.

In contrast to the destructive policy of imperialist circles, the CEMA countries will continue, as per the documents resolved on at the Economic Conference, to develop economic and trading relations as well as scientific-technical cooperation with all countries worldwide on the basis of mutual benefit, equality, noninterference in internal affairs and the observance of international obligations assumed.(7)

#### I. East-West Economic Relations as Affected by Changing Political and Economic Conditions

In the first half of the 1980's, the states of the socialist community are engaged in the process of further development conducive to their being able decisively to influence the international balance of power in their favor. At the same time they are confronted by many problems arising from the objectively worsened basic political and economic situation of imperialism, to which the most reactionary circles respond in a particularly aggressive manner. The contradictory trends in international developments "are coming to light in the struggle of those forces which advocate the consolidation of peace, restraints on the arms race, the continued pursuit of detente, the defense of the sovereign rights and liberties of the peoples, against those forces which undermine detente, speed up the arms race, pursue a policy of threats, boycotts, interference in the internal affairs of other states, the suppression of the national and social struggle for freedom of the peoples," said the Tenth SED Congress.(1)

In these circumstances the socialist countries are confronted with the need to strengthen their own economies, consolidate their unity and further develop and perfect their cooperation. The economic strategy of the countries of the Council for Economic Mutual Aid (CEMA) is therefore oriented to making socialist intensification more and more comprehensive and ensuring for it stable bases for long-term development. In the interest of the greatest possible rise in output, they start from the assumption "that it is imperative to expand economic and scientific-technical cooperation on a long-term basis among the socialist countries within the framework of CEMA so as to contribute to the economic and social development of each country,--the resolution of economic problems, the realization of the programs for socialist and communist construction and the improvement of the material and intellectual standard of living of their peoples.(2)

All countries of the socialist community are confronted with the challenge of carrying out profound qualitative changes in the productive forces and the corresponding perfection of the socialist production conditions. Above all it is imperative to organically link the benefits of the socialist social order with the achievements of the scientific-technological revolution. One of the principal issues is the resolution of the matured economic and scientific-technical problems involved in the organization and perfection of the developed socialist society and the further deepening of socialist economic integration in direction of a much more efficient reciprocal cooperation and coordination of economic policy among the socialist states. The coordination of the CEMA countries' economic policies has turned into a key item in the improvement of the efficiency of the national economies, their speeded-up gearing to the intensive approach to development, the improvement of our peoples' prosperity, the reinforcement of our countries' technical-economic status by comparison with the capitalist states and the struggle against the economic pressures of imperialism. The starting point is the implementation of the orientations and objectives agreed at the highest level of the CEMA countries.

#### Economic Relations Between Socialism and Capitalism in the Interrelation Between Politics and Economics

Economic relations within CEMA enjoy the highest priority in every respect for the countries integrated within it. At the same time they are the prerequisite for the CEMA countries' active involvement in the international division of labor. Still, this also includes the need to further develop economic relations with the capitalist industrial countries in the 1980's--taking into account the objective processes in the world economy and international politics and on the basis of equality and reciprocal benefit. The nature of the world market and the world economy is crucial in this respect: In our opinion there is just one world economy, but it represents the contradictory unity of two world economic systems--socialism and capitalism--, in the framework of which the division of labor is differentiated with increasing clarity at the international level in particular.(3) The growing utilization of the international division of labor by each country--whether at a low or high level of economic development, whether socialist or capitalist--is a specific feature of our age. Its neglect would imply considerable losses of efficiency for any national economy. Similar to the time of the Cold War in the 1950's, influential imperialist circles have again tried for the past few years to impose an economic war on the socialist countries, cut them off from the worldwide division of labor.

The socialist countries, by contrast, endeavor to do everything possible to prevent the division of the world economy desired by excessively reactionary imperialist forces into hostile centers and groups, and to expand the opportunities for equal and mutually beneficial international economic cooperation. They take into account the fact that the world market and the world economy, considered from class aspects and in all stages of development, never represent a united social whole but rather a socially contradictory unity. In this unity, socially different and often antagonistic partners

enter into economic relations justified by the objective need to exchange the results of their labors within the framework of the division of labor.(4)

At the present time producers and owners of commodities from mainly two mutually exclusive social world systems--socialism and capitalism--confront one another on this world market, characterized by contradictions and they establish links arising from the nature of their reciprocal relations. On the basis of the law of values within the scope of the basic economic law prevailing in each respective social system, it is possible for the socially opposed producers or owners of commodities permanently to realize their economic operations in a united though differentiated organism, that is the world market or the world economy.(5)

Finally, the CEMA countries consider the world economy a world economy in transition. In one part of it the historically obsolete capitalist method of production still prevails, in the other the socialist world system is increasingly consolidating and further developing as the future oriented social system.(6) As, however, capitalist conditions still dominate the world economy at the present time, the adverse effects of the laws of the capitalist method of production still exert a sometimes very considerable influence on all world economic processes. Moreover, the definition of the economic laws of socialism proceeds in a highly contradictory process, characterized by, among other features, reverses, difficulties and sometimes serious problems. This also exerts a definite influence on international economic relations between socialism and capitalism. In the interest of all parties involved in world economic events, the operations of the countries of socialism are oriented to constantly growing and predictable international economic cooperation on the basis of the system of plan-likeness, dynamism and stability embodied by it. In times of the worst disorganization and decline of the world economy as after World War I, Lenin, for example, described this essential feature of socialism by the words "we take it upon ourselves to restore the world economy."(7) The struggle of socialism for equal and reciprocally beneficial economic cooperation at the international level represents a commitment of prime import far exceeding its own system-related interests and securing peaceful cooperation for all peoples and nations on earth.

Considering the current world situation, above all the U.S. attempts at dominating its partners, destabilizing international economic relations--specially between East and West--if needs be by economic war--and completely subjugating them to its rule, the socialist countries are compelled as far as possible to secure their technical-economic independence. Of course the greatest possible collective self-sufficiency of the CEMA countries (specially in products particularly sensitive to embargoes and sanctions) does not amount to autarchy. However, the specialization and cooperation within the framework of the socialist community need to be so coordinated that the vital processes of expanded socialist reproduction in each member country cannot be adversely affected from the outside. The comment at the 37th CEMA Meeting therefore ran as follows: "Emphasized at the same time was the significance of the deepening of mutually beneficial economic cooperation in CEMA for the speeded-up development of the production and reciprocal deliveries of commodities, the

importation of which is subject to difficulties due to the policy of discrimination against the CEMA countries in matters of trade and economic relations, practiced by some capitalist countries."(8)

For the CEMA countries thereby "to raise their close cooperation to a stage responding to the requirements of socialist construction in the conditions of the 1980's and making it impervious to any imperialist attempts at blackmail,"(9) certainly does not mean that they are turning their backs on profitable cooperation. The GDR as well as all the other Warsaw Pact states reaffirmed this at their 1983 Prague Meeting and at the Moscow Economic Conference of the CEMA countries at the Highest Level. In many respects cooperation with the capitalist countries is an integral part of the CEMA countries' economic strategy for the 1980's. According to the Central Committee report to the Tenth SED Congress, "on the firm foundation of our economic relations with the socialist countries, we will continue to develop and expand foreign trade with the capitalist industrial countries. ... That serves peaceful coexistence and encourages economic growth in our republic." (10) Spelled out here are the two main motivations: For one to contribute to the materialization of detente and for the other to derive reciprocal benefits from the division of labor with capitalist industrial countries. This basic attitude to the encouragement of economic relations with capitalist industrial countries is maintained even now, when the foreign political and foreign trade situation is distinctly aggravated.

Concerning the further organization of East-West economic relations, the GDR and the other CEMA member countries take account of the fact that, in connection with the tasks of intensively expanded reproduction and the changed international situation, foreign trade has increasingly become a basic element in total economic growth and, therefore, total societal development. The CEMA countries consider their economic cooperation with the capitalist industrial countries a valuable supplementary source for increasing the national income and realizing their plan targets. Nor does the development of mutually beneficial cooperation with Western industrial countries run counter to the deepening of integration within the scope of CEMA. Indeed we assume that there is every chance for intensifying integration. The CEMA countries will certainly make sure that a balanced and efficient ratio is kept between the two directions of foreign trade relations--East and West--, with the East enjoying priority, and that both organically complement one another.

In the actual internal and external circumstances--above all the role of East-West economic relations for the CEMA countries--, in view of the tasks and problems in this field and, above all, taking account of the extraordinary aggravation of the imperialist confrontation policy (including economic warfare) and the tendency to crises in the capitalist world, the coordination of the socialist countries; trade and economic policy with regard to relations with capitalist industrial countries is also getting to be increasingly important. Involved are mainly considerations regarding the main directions of economic cooperation and the principles of this cooperation. It is urgent and imperative for the CEMA member countries to cooperate and coordinate their policies vis-a-vis the imperialist embargoes, boycotts, discrimination by the United States and other imperialist states as well as the operations of

international institutions utilized by imperialism against the socialist countries.(11)

As regards the definition of the nature of economic relations between East and West, it is generally important to remember that these are relations between states with different social systems. In these conditions, economic relations as well as other fields of cooperation between socialist and capitalist states represent one type of argument between two opposing social systems at the international level.

Lenin himself pointed out the tasks of the Soviet state in the field of foreign trade: "Each such effort represents...a continuation of the struggle between capitalism and socialism. This struggle has changed appearance but remained a struggle."(12)

All our earlier experiences confirm the general perception that the partners in reciprocal economic relations are ruled by their specific class interests in this respect, too. Cooperation therefore must be dialectically interpreted as the unity and struggle between the interests of opposing partners, because the respective ruling classes in the states of the two social systems--the bourgeoisie and the working class--confront each other on the international stage as socially different owners of the means of production, organized in antagonistic and mutually exclusive power structures.

This nonmilitary type of conflict generally accords with the interests of human progress, specially the interests of the working class ruling the socialist countries together with the other working classes and strata allied with it, and which intensively relate to the struggle for peace and human progress. The socialist states are the most active champions of the ideal of peaceful cooperation.

From the standpoint of the socialist forces, the current argument within the framework of international relations means a constant struggle for the preservation or continuing implementation of the principles of peaceful coexistence of states with different social systems; this is also basically the struggle to make prevail political and military detente and, consequently cooperation of many kinds and in many spheres. Practical experience has confirmed that economic relations represent an important material basis.

Lenin constantly pointed out this interaction of economics and politics in social relations and stressed its importance for socialism precisely in economic relations with the other social system.(13) On the one hand he indicated the economic benefits arising therefrom, on the other he placed a very high value on its great political significance: "Of course concessions (to the capitalists--author's remark) are important for us also, to get us industrial products. That is certainly true, but the main consideration is that of the political relations." That is why trade with the capitalist partner "should not be based on economic considerations and the world economic situation but on profound political reflections...Any other approach to this issue would be shortsighted."(14) The development of economic relations with

the capitalist states--and that is the basic concept--should be viewed "as involving a kind of indirect guarantee of peace."(15)

Economic relations thus represent an important factor in the materialization of political detente and must be defended in particular in the argument with the aggressive circles of imperialism. At the present time it is indeed imperative to compel the imperialist forces to return to political detente.

The struggle for military detente obviously occupies pride of place in the efforts to make political detente the main tendency of international relations. This high place value of the struggle against the arms race and the preservation of the approximate military-strategic balance and, therefore, the advance to military detente, arises from its more direct and immediate effects on the process of political detente.(16) Nevertheless, taking into account the primacy of politics, there is an undeniable interaction between political detente and economic cooperation. On the one hand, political detente creates better conditions for the expansion of the various sectors of economic and scientific-technical cooperation. On the other, no permanent material basis for the consolidation and deepening of detente can be created without mutually beneficial and equal economic cooperation, and this was reiterated at the CEMA summit conference.

When we remember the intimate connection between economic and political processes, the 1970's especially proved that economic relations were well able to do justice to their positive role within the scope of peaceful coexistence. The main result was the expansion and deepening of political detente coupled with the expansion and intensification of economic cooperation. Of course it would be asking too much of economic relations if we were to expect them alone or all-round (in other words in all areas of East-West problems) to adequately promote the process of political detente. There is a specific place in peaceful coexistence. Despite the flourishing economic relations (and many disarmament initiatives by the Warsaw Pact states), economic and political detente were not with sufficient efficacy supplemented by military detente. On the contrary: The importance of the military aspects increased in the process of further developments; economic aspects were treated as byproducts or subordinated to them by the reactionary ruling forces of imperialism. The predominance of military aspects got more and more firmly established.(17) It thus became impossible to utilize the great opportunities for using East-West trade as an incentive for disarmament. No steps to disarmament were taken, which could have been linked with the use of the capacities of the defense industry for the production of civilian commodities for the exchange of goods and with an increased technology transfer between East and West. All-European projects in the problem spheres of energy, transportation, raw materials, and so on were not tackled.

Instead economic relations themselves were increasingly impeded by the imperialist confrontation policy and its economic element, imperialist economic warfare against the socialist countries. Even disregarding the worsened economic situation, this political trend was enough to seriously damage East-West economic cooperation.(18)

Evidently there is a dialectic interaction between economics and politics in intersystemic economic relations. It would not be correct, though, to consider this as something automatic, in the meaning that, on the one hand, better political relations are bound to directly result in increased economic relations. Nor, on the other hand, does an aggravated international political situation necessarily and immediately have adverse effects on economic relations among states--although in the long run any worsening in the climate of cooperation cannot be avoided and the dynamism of economic relations will certainly suffer. From the standpoint of Marxism-Leninism, any concept of automatic dependence between politics and economics must be rejected. Both have their relative independence. Of course, as emphasized earlier, politics remains the deciding element in strategic conceptions and real international relations, because it is the concentrated reflection of the economic interests of the ruling classes in socialist and capitalist countries. However, within this framework, economic interests have their own independent role ultimately due to the development trends of the productive forces and their internationalization. According to the classics of Marxism, in the relationship between economics and politics, "nothing [is] absolute and everything [is] relative."(19) They also considered this interrelation as one of "highly unequal forces, and the economic movement [may be] by far the strongest, most original and decisive."(20)

It therefore does not necessarily happen that politics unilaterally dictate economics. On the other hand it is certainly not the case either of "politics always obediently following in the footsteps of economics,"(21) a factor of definite significance for East-West economic relations in the 1980's. The internationalization of economic life relativates the interaction with politics, allows economic cooperation a relative independence which is very evident in the conditions of the scientific-technological revolution and the many worldwide problems involved in it.

In the first half of the 1980's, the CEMA countries confront a situation calling upon them to struggle for the preservation, expansion and development of reciprocally beneficial relations. They are struggling for the greatest possible limitation of the adverse influences of aggressive imperialist politicians and military strategists on overall relations between East and West, including economic relations. The Seventh SED CC Plenum noted in this connection: "We are in favor of as far as possible limiting the damage. The existing system of contracts continues to be a satisfactory foundation for the development of peaceful relations between states, as long as we can preserve our achievements and expand them consonant with its provisions."(22) It will be necessary to strengthen mutual confidence, preserve and, if at all possible, further develop the positive aspects of the mutually beneficial economic relations established in the course of many years, against the line of confrontation politicians in the United States and NATO, especially, which is aiming to destroy all this.

The tendencies within imperialism with regard to relations between the two world systems--one operating in direction detente and cooperation, the other in direction confrontation--are clearly reflected in the interaction of economics and politics. The influences in politics orienting to the

stimulation of economic relations must obviously be ascribed to the first tendency; the policy adversely affecting the operation of the economy is due to the second tendency. In actual fact both trends are in permanent conflict for predominance in the organization of relations.

#### Useful Experiences from the Economic Cooperation of the 1970's

The analysis of economic cooperation in the 1970's--especially of the evident results--is particularly significant for the appraisal of economic relations now and future developments. The 1970's featured a relatively solid political detente, and economic relations between the CEMA member countries and capitalist industrial countries were exceptionally good. At the same time, though, many divergences were generated within the framework of a generally positive development, and some of these persist to this day.(23)

1. The European CEMA countries' total commodity turnover with capitalist industrial states rose substantially in the 1970's (1970: R13 billion' 1980: R67.4 billion' 1981: R69.8 billion) (see Table 1).(24) This strong trend did not continue in the early 1980's. I will later deal in greater detail with the reasons for this change, which continued in 1983.

Table 1: The CEMA Countries' Foreign Trade with Capitalist Industrial Countries (billion rubles; at prices prevailing in the respective year)

	1970	1975	1976	1977	1978	1979	1980	1981	1982
(1) VRB	0,6	1,3	1,2	1,2	1,3	1,7	2,2	2,6	2,4
(2) UVR	1,2	2,1	4,1	4,7	5,6	6,4	7,6	7,9	8,1
(3) DDR	2,1	4,1	5,2	4,7	4,7	6,1	7,1	8,1	8,7
(4) VRP	1,7	7,0	7,7	7,6	7,8	8,1	8,6	6,3	8,5
(5) SRR	1,2	2,9	3,2	3,6	4,2	5,1	5,6	5,0	4,0
UDSSR	4,7	15,8	19,7	18,7	19,7	25,8	31,6	35,4	37,7
CSSR	1,5	2,7	2,9	3,2	3,4	4,0	4,7	4,5	4,4
(6) RGW-Länder	13,0	35,9	44,0	43,7	46,7	57,2	67,4	69,8	73,8

#### Key:

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA countries |

Sources: "CEMA Statistical Yearbook" (published by the secretariat of the Council for Economic Mutual Aid), Moscow, each year; national statistical yearbooks and national trade statistics.-- All figures refer to trade between the European CEMA member countries and the OECD countries

With the help of political detente, the CEMA countries succeeded in making prevail their conception of the utilization of the benefits of the

international division of labor for their own socialist construction. Also evident were the benefits for the Western partners.

The exchange of commodities was also helped by the temporary boom situation in capitalism, favorable price developments on the world market and temporarily favorable financial circumstances that lasted for several years. The remarkable rates of increase between 1970 and 1980, especially, prove that East-West trade may be a very dynamic sphere of international economic relations indeed.

2. In the course of the 1970's, unequal developments emerged in East-West trade with regard to the export/import ratios. In that period, the CEMA countries purchased more from capitalist industrial countries than they sold there, so that an overall deficit arose in the balance of trade (though the place values for the various CEMA countries vary a great deal). (See Tables 2 and 3)

Table 2: CEMA Commodity Imports from Capitalist Industrial Countries (billion rubles; at prevailing prices)

	1970	1975	1976	1977	1978	1979	1980	1981	1982
(1)YRB	0.3	0.9	0.8	0.7	0.8	0.9	1.1	1.5	1.4
(2)UVR	0.6	1.3	2.3	2.8	3.5	3.6	4.2	4.6	4.4
(3)DDR	1.2	2.4	3.1	2.8	2.8	3.7	4.1	4.2	4.1
(4)YRP	0.8	4.6	5.1	4.7	4.6	4.6	4.6	3.4	3.9
(5)SSR	0.7	1.7	1.7	1.9	2.4	2.6	2.8	2.3	1.3
UdSSR	2.5	9.7	10.8	9.9	11.0	13.2	15.7	18.1	18.9
CSSR	0.8	1.6	1.7	1.9	2.0	2.3	2.5	2.4	2.2
(6)RGW-Lander	6.9	22.2	25.5	24.7	27.1	30.9	35.0	36.5	36.2

Key:

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA countries |

Sources: "CEMA Statistical Yearbook" (published by the secretariat of the Council for Economic Mutual Aid), Moscow, every year; national statistical yearbooks and national trade statistics.

The forces oriented to confrontation use this deficit as a pretext to slander some CEMA countries. The true facts and connections are deliberately concealed or distorted.

The liabilities of the CEMA countries largely involve long-term payment obligations arising from loans for the purchase of plant, equipment, and so on. The CEMA countries borrow and lend in a manner perfectly normal in international economic relations, and they will continue to do so. As regards

the repayment of loans, the GDR has always (and will in future) exactly met its obligations; what holds true for repayment instalments and interest payments due. Incidentally, this is confirmed by the financial and bank experts of the capitalist countries concerned. The 100 percent creditworthiness of the GDR is generally acknowledged.(25)

Table 3: CEMA Commodity Exports to Capitalist Industrial Countries (billion rubles; at prevailing prices)

	1970	1975	1976	1977	1978	1979	1980	1981	1982
{1}VRB	0,3	0,3	0,4	0,4	0,5	0,8	1,1	1,0	0,9
{2}UVR	0,6	0,9	1,8	2,0	2,2	2,8	3,4	3,3	3,7
(3)DDR	1,0	1,7	2,1	1,8	1,9	2,3	2,9	3,9	4,7
(4)VRP	0,9	2,4	2,6	2,9	3,1	3,5	4,0	3,0	4,6
(5)SRR	0,5	1,3	1,6	1,6	1,9	2,5	3,0	2,7	2,5
UDSSR	2,2	6,1	7,8	8,8	8,7	12,5	15,9	17,2	18,8
CSSR	0,7	1,1	1,2	1,3	1,4	1,7	2,2	2,2	2,1
(6)RGW-Länder	6,2	13,8	17,5	18,8	19,7	25,1	32,5	33,3	37,3

**Key:**

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA countries |

Sources: "CEMA Statistical Yearbook" (published by the secretary of the Council for Economic Mutual Aid), Moscow, each year; national statistical yearbooks and national trade statistics.

It needs an international comparison to show the actual international economic place value of these liabilities. In the following I am quoting Western financial expert on the respective reports by the OECD, the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), domiciled in Switzerland: The CEMA deficits for 1983 amount to "no more than about 6 percent of 'Third World' debts or 2.5 percent of internal OECD debts. In actual figures this would mean about \$860 billion for the 'Third World' and \$2,5 billion introverted or internal debts."(26) Soviet experts mention the CEMA countries' net liabilities as amounting to \$55-59 billion.(27)

Really significant in the final analysis is the following trend: While the deficits between the business partners in the capitalist world economy are still growing, the CEMA countries' liabilities have sharply dropped in the 1980's. For the period from December 1981 through December 1983 alone, the BIS shows a reduction in the deficit in the amount of roughly \$15 billion. The GDR shares in this reduction, exactly like all CEMA countries. In 1981 a surplus of around \$0.3 billion was achieved in trade with the nonsocialist monetary area, in 1982 the surplus was \$1.5 billion and in 1983 \$1.3 billion.(28)

By now the CEMA countries as a whole can boast growing surpluses in trade with important partners; OECD trading statistics, by contrast, have demonstrated rising balance of trade deficits for most OECD countries and the overall OECD area ever since 1981 (1982: about \$0.6 billion; 1982: around \$2 billion; 1983: \$5-6 billion). Since then, Western experts have mentioned a change in trends favoring the CEMA countries.(29)

This development is the result of the CEMA countries' long-range strategy to, on the one hand, fully exploit all opportunities offered by cooperation with the OECD countries, on the other for the future to strive for balanced trade--not least in the interest of the economic and political security of the socialist community of states. This is certainly imperative for the restoration of the balance in the accounts of the CEMA countries, specially in the conditions of imperialist economic warfare. We simply must resolutely reduce deficits, in other words achieve balance of trade surpluses vis-a-vis the capitalist industrial countries and thereby as planned lower our financial liabilities. The political and economic interests of the CEMA countries ultimately require such a policy; they cannot permit themselves to be susceptible to political blackmail by way of economic or financial relations.(30)

To cope with these problems, the CEMA countries' conceptions provide mainly for increased export efforts (see Table 3). As we know, this has been called for at the party congresses of the communist and workers' parties in the CEMA countries and stipulated for the GDR, for example, in the Tenth SED Congress directive to the 1981-1985 Five-Year Plan for the Development of the National Economy. It says there: "Foreign trade with capitalist industrial countries must be further developed on the basis of equality and reciprocal benefit. A substantial increase in exports to these countries must be achieved by the greater availability of market appropriate and profitable export products at the highest quality, so as to safeguard imports in accordance with the targets set in the plan...The strictest criteria must be employed with regard to imports. That requires the greatest possible conservation and efficiency in the use of raw materials and fuels as well as the development of domestic alternatives."(31)

The more favorable development in the CEMA countries is due mainly to the successful realization of the economic strategy for the evolution of their national economies and, therefore, their increased export strength. It is the result of the intensive efforts of the working people in these countries, a sharp rise in economic performance, in particular by the use of scientific-technological advances, the deepening of intensification and the improvement of efficiency by the successful development of the strong motivations provided by the socialist social system; an active raw materials policy, particularly the USSR's, is specially important. Despite considerably poorer world economic conditions, therefore, the CEMA countries were able to achieve relatively satisfactory export results by comparison with many capitalist industrial countries.

In the coming years the CEMA countries will continue to pursue their export

efforts with the aim by high export surpluses to guarantee the planned and proportional development of their national economies. On behalf of the GDR, Erich Honecker stated at the Fifth SED CC Plenum: "Our policy for the welfare of the people could be realized only because the hard work of GDR working people, in close cooperation with the Soviet Union and the other socialist countries and with the help of the policy of peaceful coexistence of states with different social systems, succeeded in building up a strong scientific and economic potential. We are therefore in a position to continue to successfully implement our economic strategy for the 1980's."(32)

3. In the course of the 1970's, East-West trade assumed a generally higher place value for the countries interested in this trade.

The OECD countries' share in the total foreign trade of the CEMA states has risen substantially, from 23.7 percent (1970) via its apex of 32.8 percent (1979) to 31.3 percent (1980) (see Table 4). This shows that the CEMA countries are extremely interested in exploiting the benefits arising from the international division of labor with Western partners also.

The OECD countries have turned into an important foreign trade partner for the CEMA countries. In the 1950's and 1960's, the CEMA states were largely excluded from the international division of labor with the capitalist world market--due mainly to the Cold War of the NATO states, above all the United States--(OECD shares 1955: 19.7 percent; 1960: 20.5 percent; 1965: 22.4 percent), they succeeded in the 1970's in foiling this policy and becoming important partners on Western markets. International division of labor with capitalist industrial countries opened up for them an additional source of economic growth although, measured by national proportions, it never had a decisive role in the reproduction process.

The CEMA countries used the available opportunities or developed new ones in accordance with the respective interests and objective prerequisites of every country with regard to participation in the international division of labor (production structure, export potential, raw materials resources, geographical location and conditions, special economic interests, and so on). As a consequence, the place value of East-West trade differs for the various CEMA countries (see Tables 4, 5 and 6).

4. Among the significant results since the early 1970's is the development of many types of economic cooperation. Far more contracts were concluded. Before 1970 fewer than 200 contracts had been negotiated; in 1972 already about 300 were recorded, in 1973 roughly 600, in 1974 around 1,000, and toward the end of the 1970's, the total amounted to about 2,000. The tremendous advance consisted in the fact that cooperation between partners with different social systems grew more and more intensive and involved not only the sphere of circulation but also such sectors of the social reproduction process as production, distribution and consumption.(33)

As per the international classification in general use, the following types are usually involved: Production or industrial cooperation, compensation projects, cooperation on third markets, scientific-technological cooperation,

"mixed companies." (34)

Table 4: The Capitalist Industrial Countries' Share in the CEMA Countries' Total Foreign Trade (percentages)

	1970	1975	1976	1977	1978	1979	1980	1981	1982
(1) VRB	16.6	17.0	14.5	12.6	12.4	15.0	16.5	16.7	14.0
(2) UVR	28.4	24.4	33.5	33.1	34.8	35.2	36.7	34.8	32.9
(3) DDR	24.4	25.9	28.3	23.7	22.7	26.0	27.4	28.5	28.1
(4) VRP	27.1	41.3	41.5	37.8	36.2	34.6	34.8	29.2	31.8
(5) SRR	35.8	36.7	36.5	33.6	36.5	37.1	35.2	29.9	30.3
UDSSR	21.2	31.3	32.9	29.6	28.0	32.1	33.6	32.2	31.6
CSSR	22.4	22.4	21.7	21.1	20.7	22.1	23.0	20.9	18.4
(6) RGW-Länder	23.7	30.0	31.4	28.7	28.0	30.2	31.3	28.9	28.7

Key:

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA countries |

Sources: "CEMA Statistical Yearbook" (published by the secretariat of the Council for Economic Mutual Aid), Moscow, each year; national statistical yearbooks and national trade statistics.

Table 5: The Capitalist Industrial Countries' Share in the CEMA Countries Exports (percentages)

	1970	1975	1976	1977	1978	1979	1980	1981	1982
(1) VRB	14.2	9.3	10.5	9.6	9.8	14.4	15.8	13.4	11.4
(2) UVR	28.0	21.4	30.8	29.0	29.8	32.3	33.8	29.7	29.6
(3) DDR	21.9	22.4	24.3	20.6	19.7	20.8	24.1	27.4	29.0
(4) VRP	28.4	31.5	32.0	31.3	31.3	31.1	34.4	29.5	32.6
(5) SRR	31.9	31.5	35.9	30.9	33.7	38.1	35.4	30.0	32.2
UDSSR	18.7	25.6	28.0	26.5	24.4	29.5	32.0	30.2	29.9
CSSR	20.4	19.8	18.2	18.4	18.0	19.9	21.7	19.6	17.7
(6) RGW-Länder	21.9	24.6	26.6	24.9	24.1	27.6	29.8	27.2	29.7

Key:

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA countries |

Sources: "CEMA Statistical Yearbook" (published by the secretariat of the Council for Mutual Economic Aid), Moscow, each year; national statistical yearbooks and national trade statistics.

The following priorities are displayed by the various CEMA countries:

-- The Hungarian People's Republic, the People's Republic of Poland and the Socialist Republic of Romania give special preference to production cooperations por industrial cooperations between individual enterprises, and so on;

-- The USSR and the GDR have particularly extensive experience in compensation projects, specially large-scale and long-term projects;

-- The GDR, Romania and Hungary are most involved in cooperations on third markets, usually in developing countries;

-- All CEMA countries use scientific-technological cooperation;

-- All CEMA countries have "mixed companies," especially on the territories of capitalist countries--usually in the sphere of circulation but occasionally also in the sector of production, banking, and so on. Some experiences are also available with regard to such mixed enterprises on the territories of socialist countries, for example in Romania, Hungary, Poland and Bulgaria. These generally relate to the sphere of circulation, less to that of production and only exceptionally to the financial sector (for instance a joint bank in the Hungarian People's Republic).

Table 6: The Capitalist Industrial Countries' Share in the CEMA Countries Total Imports

	1970	1975	1976	1977	1978	1979	1980	1981	1982
(1) VRB	19.1	23.5	18.5	15.6	15.0	15.5	17.2	20.9	16.7
(2) UVR	28.8	27.0	36.0	36.9	39.0	37.9	39.4	39.8	36.1
(3) DDR	26.7	29.0	31.8	26.4	25.4	30.8	30.5	29.5	27.3
(4) VRP	25.7	49.3	48.9	43.3	40.5	37.9	35.0	29.9	30.0
(5) SRR	39.5	41.9	36.5	36.9	39.1	36.1	31.4	27.8	23.5
UDSSR	24.0	36.4	37.6	33.1	31.8	35.0	35.4	34.4	33.5
CSSR	24.5	24.6	24.9	23.6	23.2	24.1	24.3	22.1	19.0
(6) RGW-Lander	25.5	35.1	35.9	32.0	31.6	32.8	32.7	30.6	29.5

**Key:**

- |             |                   |
|-------------|-------------------|
| 1. Bulgaria | 4. Poland         |
| 2. Hungary  | 5. Romania        |
| 3. GDR      | 6. CEMA Countries |

Sources: "CEMA Statistical Yearbook," (published by the secretariat of the Council for Mutual Economic Aid), Moscow, each year; national statistical yearbooks

Though exact assessment is difficult due to the varying definitions and

classifications of cooperation relations in the various socialist and capitalist countries, it is possible to note some trends--based on the investigations of the UN Economic Commission for Europe (ECE):

Contracts on joint production and specialization are clearly preferred and have also become far more numerous. Also rather significant are deliveries of complete factories or assembly lines; payment often proceeds on the compensation principle, in other words by finished products or products of at least some stages of processing. This generally involves major projects, and the volume of commodities is therefore correspondingly large. Since the early 1980's, licencing agreements between East and West have regained considerable importance; this term includes both the use of patents and "permitted production." CEMA countries, among them the GDR, obtained approval to manufacture proprietary articles of capitalist firms. The Western party often makes available the technical equipment and know how, in many cases on the basis of loans. Payment is made in various ways, sometimes by the return delivery of manufactured finished products.

The development of "mixed companies" expanded, usually in the sales sector of capitalist industrial countries.

Strong growth was also recorded by the realization of joint projects (including contract offers), usually on third markets.

On the other hand, the system of subcontractor transactions (including commission processing transactions) is reported by the ECE statistics to be of minor importance.

As for longer-term compensation projects, an ECE study (for 1974-1979) reports that projects in the sector of basic materials or raw materials such as oil and natural gas predominate absolutely, followed by iron and steel. Nothing much has changed in recent years (1981-1983). With regard to the contracts concluded in 1981/1982 (value \$2.7 billion), major projects in the sector of the chemical industry are much to the fore, of course second to the USSR-Western Europe "transaction of the century" (natural gas in exchange for pipes). The USSR is the key partner by far in such agreements.

Most compensation projects in the traditional processing industries (machine construction, light industry, and so on) involve a far smaller volume; participating in them are mainly the Hungarian People's Republic, the CSSR, the GDR and the People's Republic of Poland.

With respect to the development of compensation projects we need to remember that the search for common interests between the partners is not always easy. Western corporations primarily wish for sales, not the purchase of compensation commodities, least of all if the counter deliveries consist of goods they do not normally handle and require complicated marketing.

Dominating here are the traditional sectors of machine construction (headings 1-3). The structural problem is obvious; the industries manufacturing modern products such as data processing, robot equipment, and so on, only hold about

16 percent in East-West cooperation and usually relate to small-scale projects. Among the many reasons I will mention only the following:

- a) The reservations of capitalist corporation to operate jointly with socialist enterprises in precisely this most modern production sector;
- b) The security interests of the CEMA countries. These considerations do not allow us in these fields vital for national priorities to practice such close cooperation as to offer the other side an opportunity for exerting economic or political pressure.

Table 7: Percentage Participation of Capitalist Countries in East-West Cooperation According to the Number of Contracts Concluded

	1965/67	1975	1980	1982
(1) BRD	23.1	27.0	25.7	25.0
Italien	6.0	8.7	13.1	12.5
USA	3.0	2.7	12.2	12.0
(2) Frankreich	17.2	27.0	10.1	9.7
(3) Großbritannien	19.4	15.5 <sup>1</sup>	6.3	7.5
(4) Österreich	10.9	12.1	6.2	6.9
Japan	-	6.3	5.4	5.8
(5) Schweden	10.4	8.7	5.0	4.9
(6) Schweiz	4.5	15.5 <sup>2</sup>	5.0	4.7

Key:

- |                                |                |
|--------------------------------|----------------|
| 1. Federal Republic of Germany | 4. Austria     |
| 2. France                      | 5. Sweden      |
| 3. Great Britain               | 6. Switzerland |

1) Jointly with Switzerland.-- 2) Jointly with Great Britain.-- Calculated from ECE data

Consequently, cooperation could contribute significant impulses to East-West trade only in the sectors of raw materials exploration, extraction and processing as well as the transportation facilities required for these purposes, and several projects relating to iron, steel, the chemical industry, machine and vehicle construction. When the exchange of commodities in the traditional industrial sectors (excluding raw materials) no longer resulted in a perceptible increase in East-West trade, some CEMA countries were less interested in cooperation.

5. The contractual bases of East-West cooperation, specially in the shape of long-range agreements and programs, have made significant quantitative progress since the early 1970's. At the same time far more sectors are involved in contract conclusion. At the present time we have many agreements, contracts and arrangements, such as long-term bilateral trade agreements, government agreements on cooperation in trade, the economy, industry, science and technology, long-range agreed programs on the development and deepening of

economic and industrial cooperation, credit agreements, agreements on cooperation in various sectors of the national economy or branches of industry.

**Table 8: Most Important Cooperation Contracts between Socialist and Capitalist States (number of contracts)**

	1976	1978	1982
1. Lizenzabkommen	74	19	91
2. Lieferung kompletter Betriebe oder von Teilbetrieben	86	55	131
3. Gemeinsame Produktion und Spezialisierung	90	142	277
4. System von Nachauftragnehmern	16	12	16
5. Gründung gemeinsamer Absatz- u. Produktionsbetriebe	7	53	85
6. Angebot und Durchführung gemeinsamer Projekte	25	13	68
(7) <sup>Imgesamt</sup>	208	244	708

**Key:**

- |  |   |
|--|---|
| 1. Licencing agreements                        | 5. Establishment of joint sales<br>and production enterprises |
| 2. Supply of complete factories or<br>sections | 6. Bidding and implementation<br>of joint projects            |
| 3. Joint production and specialization         | 7. Total  |
| 4. Subcontractor system                        |   |

Calculated as per ECE data

There are also more and more major and long-term commercial agreements and contracts between the CEMA countries' foreign trade organizations and firms in capitalist countries, in particular on a compensation or cooperation basis (an example is the cooperation agreement concluded in November 1980 for a 5-year term between a syndicate of GDR state foreign trade enterprises and the VOEST-Alpine AG in Austria). Such agreements provide a favorable general framework for progressive economic relations. They thus offer appropriate prospects to the enterprises directly involved in the cooperation, including small and medium-size enterprises. Currently the state contractual framework for East-West economic relations is continuing to expand in terms of both quantity and quality. New sectors, new types and methods of cooperation are increasingly settled by contracts.

6. Simultaneous with the further development of the organization in terms of the law on agreements and contracts of the bases for East-West economic relations, a new operational mechanism was set up for them, reflected in the establishment of mixed government commissions for cooperation in economic matters as well as science and technology, special study groups within the framework of these mixed government commissions, joint chambers of commerce, economic advisory councils, and so on. We managed to expand this mechanism of cooperation even in recent years--despite the far more difficult international conditions.

In general the analysis of economic relations between East and West since the

transition to the 1970's provides us with some important perceptions:

-- In the conditions of political detente in the 1970's, a network of relations and links relating to constructive economic cooperation arose and represented one significant prerequisite for the material structure of peaceful coexistence and its evolution especially in Europe. It has been proven that cooperation between East and West is extremely useful for all those involved, and that the positive results of cooperation also offer favorable starting points for further expansion and the partial intensification of economic relations in particular. This includes the dynamic growth of turnover in the course of many years, the increasing place value of East-West economic relations in the foreign trade of the partners involved or particularly committed, the broad application of new types and methods of cooperation, the earlier mentioned new operating mechanism and many contractual settlements for and on economic cooperation.

-- Despite all progress, however, several unsolved problems are also part and parcel of the experiences of the 1970's. These problems include highly unsatisfactory structures in the reciprocal exchange of commodities (they will be separately investigated in Chapter II) and the imbalances in reciprocal relations dealt with earlier. We must also remember the various obstacles to trade. These result in part from the wish for competitive reasons to protect domestic markets against commodities from CEMA countries. Their elimination is still outstanding; moreover and against all international conventions, they are being used as political weapons in the conflict with socialism. (I will deal in much greater detail with these problems in Chapter III.)

-- The difficulties showing up more obviously toward the end of the 1970's served to demonstrate the system-inherent difference in the basic attitudes of East and West with regard to tackling the settlement of the more complex problems: The CEMA countries sought (and still seek) future oriented approaches to activate economic relations. No such constructive approach to the diminution of obstacles is evident with regard to some partners on the Western side. The socialist countries are proving their willingness to dynamically expand East-West economic relations in the interest of the progressive materialization of political detente. On the basis of their growing economic capacity they seek to simultaneously utilize the benefits of the international division of labor to provide long-term prerequisites for the improvement of their export strength.

They did everything possible to continue the pursuit of detente and cooperation; their actions were approved in many parts. Unfortunately, at the transition to the 1980's, destructive elements gained ground in the realm of economics also and oriented increasingly to embargoes and boycotts. Nevertheless or just because of this, we must say must make this very clear indeed: Even though major problems arose in the past, and though East-West economic relations are not among the predominant sectors in world economic relations from the point of view of volume, it still holds true to say that their benefit for all those involved is indisputed. They represent an indispensable part of world trade and the international division of labor, and we cannot imagine international economic relations without them except at considerable disadvantage for all those involved and with the result of damage to world economic considerations relating to the division of labor. There is

no reasonable alternative to it as an element of peaceful coexistence, nor for the total complex of peaceful side-by-side living of states with different social systems. Unless economic, scientific-technological or financial exchanges are to falter, the basic features of policy must be positive, in other words affirm economic exchange precisely in the sphere of East-West trade, where economics and politics cooperate so closely, where politics often decides the guidelines for economics.

-- Unfortunately we are bound to note in this first half of the 1980's that East-West trade has sometimes been very badly affected by several adverse factors though it has been possible in general to maintain the system of economic relations generated in the 1970's--in particular between the two parts of Europe. One positive factor was the political aim, quite strong even in many West European countries and largely the result of robust economic interests, to maintain political detente and, according to the assessment at the CEMA summit conference, further develop their economic relations with the socialist states, regardless of U.S. pressure.

**Table 9: Percentage Participation of the Most Important Industries in the Capitalist Countries in Production or Industrial Cooperation (as per the numbers of contracts concluded)**

	1972	1975	1982
1. Maschinenbau	22.3	30.0	15.1
2. Werkzeugmaschinen	8.4	8.7	8.2
3. Transportausrustungen	7.3	15.0	17.9
4. Elektrotechnische/elektronische Ausstattungen	16.3	11.6	16.7
5. Chemische Industrie	19.3	13.5	21.2
6. Metallurgie, Bergbau		4.8	6.6
7. Nahrungsguter		4.8	6.6

**Key:**

- |   |                       |
|---|-----------------------|
| 1. Machine construction                         | 5. Chemical industry  |
| 2. Machine tools                                | 6. Metallurgy, mining |
| 3. Transportation equipment                     | 7. Foodstuffs         |
| 4. Electrical engineering/electronics equipment |                       |

Sources: ECE, Trade/R 407, 16 September 1980; ECE, Trade/R 450, 1982

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#### Influences of the Economic Situation of the Capitalist World Economy

In the 1980's, economic relations between the two system are proceeding in a situation that is very different from the one prevailing in the preceding decades.(35) East and West hold different opinions with regard to the appraisal of the nature of these changes, their intensity and duration. Many political and economic experts in the capitalist industrial countries have now

arrived at the opinion that changes in these economic framework conditions are intimately connected with fundamental processes such as have occurred for some time past in the capitalist world economy and continue to arise. To some extent theirs is a structural and long-range nature. However, it also happens quite frequently that the negative manifestations in the capitalist world economy and their causes are wrongly ascribed to economic processes in the socialist countries also. Several bourgeois ideologues, for example, wish to persuade us of the existence of a worldwide but usually temporary "period of weakness in the world economy." They steadfastly refuse to acknowledge the real causes--the fact that capitalism is steadily proceeding in direction of its historical decline. Others note merely a temporary depression, and many in fact assert that this has been overcome in this first half of the 1980's. Accordingly many people hope for something like automatic improvement--in economic cooperation with the countries of socialism, too. Bourgeois theoreticians indeed claim that capitalism is better able than socialism to cope with the economic challenges of the 1980's. They totally ignore the fact that the crises of the capitalist world economy are due exclusively to basic capitalist inevitabilities.

Of course the economic laws of socialism and the developments resulting therefrom are decisive for the CEMA countries. However, we should not underestimate the importance of business trends in capitalism with regard to the CEMA countries' opportunities for carrying their conceptions for the expansion of economic relations with the Western industrial states. The aggravation of the general crisis of capitalism, the cyclical crises involving reduced growth, stagnation of output, massive destruction of capital, the narrowing of markets, and so on, represent a brake on the development of trade between East and West, too. The weakened growth of East-West economic relations, the increasing difficulty of selling the CEMA countries' products on Western markets and the temporary trade deficits of some of these countries may all be largely traced to the anarchic and sporadic nature of the capitalist method of production.

Though the CEMA countries have always kept their eyes on limiting the deficits and securing the future (long-term planned) equalization of the balances, coupled with the reduction of debts incurred earlier, the following consideration was always of great importance: By the dynamic expansion of East-West economic relations to actively contribute to the materialization of political detente, specially in Europe, and at the same time provide long-term prerequisites for the improvement of their own export strength on the basis of their growing economic capacity and utilizing the benefits of the international division of labor with Western industrial countries.

-- During the cyclical crisis of the 1960's, turnover did not decline in either exports or imports. No doubt problems arise from the Western economic system, its socioeconomic bases and the economic laws of capitalism, its inherent material compulsions and value conceptions, but this does not amount to an obstacle in principle to the exchange of commodities. The CEMA countries are always reckoning with the differences in the systems, precisely as regards their political and economic operations for the development of a trade that benefits both sides.

-- In connection with the special critical situation of the capitalist system that characterized a new chapter in the process of the deepening of the third stage of capitalism's general crisis, serious disruptions in East-West economic relations occurred in the course of the cyclical crisis of the mid-1970's and its aftermath.

Due to the crisis, declines in growth were recorded in total turnover during the years 1975-1978 and, in particular, in CEMA exports; in fact the latter fell in absolute terms in 1975 (see Tables 10 and 11).

Table 10: Turnover Growth in the CEMA Countries' Trade with Capitalist Industrial Countries (in billion rubles)

	1973	1974	1975	1976	1977	1978	1979
(1) Umsatz (Export und Import) (1972 = 16,5)	22,5	32,4	35,9	44,0	43,7	46,7	57,2
(2) Veränderung zum Vorjahr, absolut	6,0	9,9	3,5	8,1	-0,3	3,0	10,5
(3) Veränderung zum Vorjahr, v. H.	+36,4	+44,0	+10,8	+22,6	-0,7	+6,9	+22,5

Key:

1. Turnover (export and import) (1972 = 16.5)
2. Absolute changes compared with the previous year
3. Percentage changes compared with the previous year

Sources: "CEMA Statistical Yearbook," Moscow, each year; national foreign trade statistics of the CEMA countries

Table 11: The CEMA Countries' Exports to the OECD States (in billion rubles)

	1973	1974	1975	1976	1977	1978	1979
(1) Export (1972 = 7,2)	10,0	14,3	13,9	17,5	18,8	19,7	26,2
(2) Veränderung zum Vorjahr, absolut	+ 2,8	+ 4,3	-0,4	+ 3,6	+ 1,3	+ 0,9	+ 6,5
(3) Veränderung zum Vorjahr, v. H.	+38,9	+43,0	-2,8	+25,9	+7,4	+4,8	+33,0

Key:

1. Exports (1972 = 7.2)
2. Absolute changes compared with the previous year
3. Percentage changes compared with the previous year

Sources: "CEMA Statistical Yearbook," Moscow, each year; national foreign trade statistics of the CEMA countries

In the 1970's, the CEMA countries carried on an active import policy (see Tables 2 and 6). Despite occasional claims to that effect by bourgeois

ideologues, the development since 1976 has by no means been achieved due only to increased exports of raw materials and fuels (at high export prices). All CEMA countries exported consonant with their respective potentials and the sales opportunities offering. In general they succeeded in keeping adverse effects relatively minor, overcame them relatively quickly and proceeded to new export advances. They were thus able to achieve some success in the defense of the opportunities for economic cooperation created at the time of detente.

-- The disruptions of East-West trade in the early 1980's are far more serious--in both quantitative and qualitative terms. The background to the particularly adverse development of the past few years is the continuing growth of the special kind of interaction of general and cyclical crisis in capitalism. The 1980/1983 cyclical economic crisis was the most severe and lengthy since 1945. While it met the criteria of a "normal" excess production crisis, it displayed more clearly than ever the long-term and qualitative exacerbation of the basic contradiction of capitalism. The Tenth SED Congress noted: "Obviously this affects relations between the capitalist states, relations between capitalist and socialist states, relations between capitalist states and Third World countries."(36)

Imperialism's more aggressive economic policy in the 1980's, primarily vis-a-vis the socialist countries, is intimately related to other important negative changes in the living conditions of capitalism and new manifestations in the main trends of the economic strategy pursued. These are increasingly assigned or subordinated to the aggressive political, military-strategic and ideological objectives of U.S. hegemonical policy.

From a Marxist-Leninist standpoint (shared in regard to some aspects by realistic bourgeois economists, politicians and ideologues), we indicate the long-term nature of many economic problems and crisis manifestations, structural crises and the enormous relevance of the changes in the economic and political condition of capitalism, that have caused the critical situation and increasingly aggravate it. To be singled out among the changed objective conditions are the following:(37)

- The longer period of weak growth in capitalism;
- The increasing deterioration of the general sales terms of capital. Linked with this is the considerable slow-down in the rate of capital accumulation, evident in gross investments in fixed assets, for example;
- Changes in the acquisition and the conditions of the economic utilization of natural resources of raw materials and fuels, in particular energy resources. The natural limitation of resources and the ensuing compelling need to discover alternatives greatly influence the expansive drive of the capitalist national economies and confront them with a new compulsion to adjust. Moreover, the inflation of the prices of most raw materials, above all crude oil, has resulted in a considerable shift of value proportions in the international exchange of commodities;

-- New trends in the situation and the terms of the struggle of the working people, in particular the working class, a considerable aggravation of social conflicts;

-- Changes in world economic relations; a considerable increase in economic interlocking. On the one hand, the reciprocal dependences of the partners involved in world economic processes exert a greater compulsion with regard to cooperation, but due to capitalist production conditions, they urge growing competitive efforts and more open rivalry between the imperialist centers (that is to say between the United States, Western Europe and Japan) as well as among the individual capitalist countries on the other. At the same time the various connections involving the international division of labor represent an important inter-imperialist battleground;

-- More frequent and severer crisis manifestations in the sphere of finances (money, exchange rates, credits, interest rates, and so on);

-- The more and more evident economic gulf between the imperialist states and developing countries, resulting in the growing divergence of interests;

-- Serious conflicts displayed in the combination of economic, political and social conflicts at national and international level.

The highly adverse effects on East-West trade are easily explicable by this changed and worsening economic situation of capitalism and the corresponding changes in the interest in economic cooperation. Foreign trade terms for the CEMA countries have extensively modified as a consequence. The problems involved range beyond these changed conditions in foreign trade to relations among the CEMA countries, because their national economies are also affected by this development, due to their greater interlinking with the world economy.

The following need to be emphasized among the many aspects involved:

Though their share in total world trade is not particularly great, East-West economic relations at the beginning of the 1980's had, in terms of both quantity and quality, turned into a definite element in the foreign trade relations of the capitalist world and individual countries. By now they have assumed greater importance than ever for several capitalist industrial states, above all some national sectors, monopoly groups, banks, and so on, of various Western countries (in the matter of imports, for example, mainly with regard to raw materials and fuels, specially in Western Europe and Japan, to the consumer goods sector mainly in Western Europe, increasingly also to the chemical industry; in the matter of exports with respect to machine and plant construction but also other sectors of processing industry, specially in Western Europe and Japan; with regard to agriculture and, to some extent also to the production of oil and natural gas plant and machine construction in the United States).

East-West economic relations are definitely important for the export and import policy of the individual European CEMA countries (with a 20-35 percent share in their foreign trade) and the community as a whole (an average of

roughly 30 percent). This applies in particular to the purchase of plant, equipment, foodstuffs (cereals, feed), many kinds of products of the processing industry and also raw materials, and to the delivery of raw materials and fuels, consumer goods and, to a certain extent at least for some CEMA countries, investment goods. Relations in the field of economic cooperation, finances, credits, and so on, also achieved dimensions vastly greater than at the beginning of the 1970's.

For many reasons, therefore, the objective development processes and trends in the capitalist world economy exert either favorable or adverse effects on the economic relations between the countries of both systems. Considerable effects arise on politics from economic relations, and vice versa. The following developments, for example, were certainly generated by the changed economic situation:

1. The cyclical capitalist world economic crisis, coupled with the considerable underutilization of production capacities and declining investment, has made it much harder for the CEMA countries at profitable prices to sell the investment goods they produce. In addition, the CEMA countries are compelled to deal with the growing competition of more and more supplier countries even in the "Third World," which--to an increasing extent--manufacture a similar or related production assortment and offer it at low prices.
2. The capitalist countries are straining more and more to solve their raw materials and energy problems, though the interests of the United States, Western Europe and Japan are not really the same, due to the difference in the availability of resources. Even taking into account such new trends as restraints on the use of raw materials and fuels (likely to result in less erratic changes in the supply and demand situation), the arguments for guaranteed supplies and the efforts for diversification of the lines of supply are bound to continue in the capitalist countries, too, despite energy conservation. The latter applies mainly to Western Europe and Japan, so that the raw materials and energy situation in the 1980's, too, will provide a decisive impetus for the preservation and expansion of the capitalist industrial states' mutually beneficial trade with the CEMA countries, above all the USSR.
3. The sales problem in the capitalist industrial countries, in other words the relative "satiety" of the capitalist markets, makes it harder for domestic producers and also all supplier countries to sell investment and consumer goods. Stagnating or declining trends on the markets of the capitalist industrial countries--linked to crisis, stagnation or shrinking trends of world trade--exert a general adverse effect on the export opportunities of the CEMA member countries. They experience greater difficulties in the construction and development of stable sales lines, mainly of finished and semifinished products but even to some extent some raw materials also. This in turn operates against the improvement of their export commodity structure in direction of more highly processed products.

For some time past, additional difficulties in the sale the CEMA countries' products (in particular capital equipment for the consumer goods industries or consumer goods as such) in capitalist industrial countries have arisen from the decline of purchasing power among many consumers. The chronic mass unemployment in the capitalist countries, the drop in real wages and the shift of many social contributions to the shoulders of the working people are responsible for this development.

The effects generated by the processes of the capitalist world trade are among the framework within which East-West trade proceeds.(36) For many years since 1970, we were able to note its sometimes substantial expansion. These periods coincided with the rapid development of East-West trade also, just as the reduction in the absorptive capacity of capitalist markets due to the cyclical crisis of the mid-1970's adversely affected East-West trade. Although the real decline in capitalist world trade in 1975 (compared with 1974) was followed in 1976 by a renewed rise through 1980, trade since then has been generally on a down trend. The steady drop in capitalist world trade, therefore, is among the factors that have exerted an extremely negative effect on East-West trade at the transition to the 1980's. At the same time this development varies considerably among the various imperialist centers and main countries.

The increasing protectionism, pursued by the capitalist countries at times of crisis and with particular intensity against the socialist countries, exerts a particularly adverse effect on economic relations between socialist and capitalist countries. This makes it even harder for the CEMA countries to export many types of industrial and agricultural products, and they experience much greater difficulties in successfully carrying on their export offensive, balancing their accounts, achieving balance of trade surpluses and achieve earnings of freely convertible currencies in a volume adequate to their import interests.

Of course we must take into account the fact that the capitalist countries for their part need to be aware that their wish to sell their products on the CEMA countries' markets depends on the opportunities offered the CEMA states for increasing sales of the products of their processing industries and also of some agricultural products on the markets of the OECD countries. Purchases and sales must be reciprocal; the opening of West European (and also U.S. and Japanese) markets to products from socialist countries is the condition for a wider stream of commodities in the opposite direction.

4. Since the early 1980's, significant interrelated changes in the capitalist exchange and monetary system have arisen in the capitalist world economy, due to the interlinking of profound cyclical crises and aggravating structural problems, the deepening of the contradictions between imperialist centers and the operation of political and other factors. These directly affect East-West economic relations and also the economies of the CEMA countries.(39)

As the result of high interest rates in the United States, the level of interest rates has risen sharply in the entire capitalist world. Although interest rates began to decline in 1982, they remained at a higher level than

in the 1970's, and another rising trend was perceptible from 1984 on. Financing trade transactions was radically more costly for all partners involved in East-West trade. The cost of borrowing also increased with regard to loans with fluctuating interest rates, regularly adjusted to the rate prevailing on the money markets. The asymmetry of credit relations dating from the 1970's resulted in special problems for the CEMA countries. Payment terms in the capitalist world economy were generally subjected to pressure, and this affected East-West trade. The constant interest rate fluctuations, resulting from uncertainty about future U.S. interest policy, created a climate of insecurity.

Other obstacles are represented by the chronic inflation in the capitalist countries. As a result of these

- A growing proportion of the redemption fund is devalued;
- Reproduction is disrupted;
- The scope for action of state economic policy is narrowed, and so on.

In these circumstances it is very hard for the CEMA countries to build up stable purchasing and sales lines with the Western partners.

Also as the result of this change in foreign trade conditions, the terms of trade are worsening for most CEMA countries--in other words the relation of export to import prices. Most CEMA countries are therefore compelled to provide more means in the shape of saleable export products to be able to pay for necessary imports. Even though the price levels of raw materials and fuels temporarily declined in the early 1980's, and the rates of inflation have considerably flattened in most imperialist countries, the prices charged on international markets for many raw materials are still highly unfavorable for almost all CEMA countries, including the GDR. (While raw materials prices are generally lower, they are still at a very high level by comparison with the status of the early 1970's, and at the same time the level of prices of more highly processed products is still relatively low.)

Other loads are generated by the changes in the currency structure. Central to these fluctuations in exchange rates was the altered status of the U.S. dollar. The devaluation of the currencies of West European countries--the main partners of the CEMA countries in trade with the West--made it necessary to obtain far greater export earnings for the latter to be able to pay past or present dollar obligations.

For some time past capitalist countries have renewed their efforts to convert credit in East-West economic relations from an increasingly normal instrument of trade into a means for exerting political pressure. This is linked with the far reaching reduction of loans, rising demands for cash payments even where it would be the international custom to agree borrowing. Added to this is the growing pressure from Western banks on all financial terms in the East-West trade to the detriment of the CEMA countries, the rise in the price of plant imports due to the increase in OECD minimum interest rates for state subsidized export credits especially for some CEMA countries (USSR, GDR, CSSR) and growing pressure on state loans and guarantees in East-West trade.

The greater instability of the capitalist currency and monetary system due to objective processes, the interest rate, foreign exchange and price fluctuations and uncertainties and the hazards coupled with them, have further increased in recent years as the result of the capitalist world economic crisis affecting international currency and monetary relations and, accordingly, East-West trade.

Although some cyclical recovery is perceptible in many capitalist industrial countries, their progress is bound to suffer fluctuations and reverses. The average growth rates and investment, in particular their structures, are unlikely to much help sales by the CEMA countries. Moreover, obvious differences are noticeable among imperialist countries and centers, industries and sectors--largely defined by persistent structural crises. Mass unemployment, unstable real wages and the progressive reduction of social services will probably prevent mass purchasing power and private consumption from rising very much. On the contrary--further restrictions are basically programmed. The difficulties in the spheres of financial, credit and monetary relations (including inflation) have not been overcome. Many social and political problems are bound to persist or grow more serious.

Consequently, export and import conditions on Western markets will continue to be difficult and risky for the CEMA countries. Admittedly, some developments in the capitalist world economy are now proceeding, which might ease East-West economic relations (such as the decline in inflation and interest rates, the drop in raw material prices).

The interests of lenders could and should so develop as to improve the export opportunities of Western firms. In the long term Western lenders must necessarily be interested in cultivating mutually beneficial financial relations and create an adequate level of credits--not least for their own profit. Many representatives and institutions in the West are at least in part interested in achieving the steadiest possible resolution of the difficult problems in the longer term. They are seeking the appropriate approaches both inside and outside existing financial institutions.

In view of the difficult situation, intertwining positive and negative developments, the CEMA countries are confronting greater challenges despite the many uncertainties as to the economic trends in capitalism to seek opportunities for promoting mutually beneficial relations in the future. We should certainly not assume that East-West trade is close to a rapid expansion. Indeed, just because of the complicated situation in East-West economic relations--much less calculable and therefore more risky for the socialist countries now than in the past--it is imperative to pursue a strong and positive political push to achieve new developments.

Erich Honecker drew attention to the close link between economic framework conditions and East-West coopereation, saying: "The long lasting economic decline in most capitalist countries, the convulsions in monetary relations, double digit inflation, record interest rates, stock losses, foreign trade restrictions up to and including embargoes--all this has far reaching effects on international trade, and even our national economy needs to cope with these

conditions. U.S. high-interest policy does not affect credit policy alone. It also has a far reaching influence on the level of prices and inflation, it aggravates the economic crisis in the capitalist countries and all their contradictions. We must take this into account in every respect."(40) The conclusion arises therefrom that the long-range economic strategy of the CEMA countries needs to be even more resolutely and purposefully directed to the mastery of the more difficult foreign trade problems--not least as a contribution to the preservation of political detente.

Unfortunately the CEMA countries are also confronted with some problems of their own at the beginning of the 1980's. I indicated these in my introduction. Their resolution has been made even more difficult by the aforementioned foreign trade situation. We must remember that the European socialist countries are proceeding with a complex transition from a largely extensive to a more modern and intensively expanded socialist reproduction, and that this process has not yet been completed. Varying development conditions require additional efforts in this or that country. More and more money is needed for raw materials and fuel extraction, and there have been changes in the manpower potential of the industrial centers. The needed economic growth depends more than ever on the improvement of labor productivity, the efficiency of use of available resources, the development of our own solutions and the deepening of socialist economic integration. Results show that the socialist countries are resolutely tackling further improvements in the economic structures, and that the adjustment of the CEMA countries' economies to the new and more difficult situation proceeds successfully--albeit subject to many problems. This is not to say that the opportunities for cooperation with nonsocialist countries are reduced. On the contrary--better economic prerequisites are thereby provided for cooperation at a higher standard.

#### **Changes in Political and Economic Framework Conditions**

In the course of the 1970's, the political framework conditions for economic relations between socialist and capitalist countries experienced fundamental changes. These are rooted in the basic trend of international development, in particular the change in the international balance of strength between socialism and capitalism. Nobody can deny that the present time features an exceptional variety of political development at international level, but the conflict between the two social systems continues to be the central axis of international development.

The continued gain in strength by the Soviet Union and the socialist community as a whole, the continuing change in the international balance of power in favor of socialism decisively affect the basic trends of international development. The socialist states' program for the implementation of peaceful coexistence between socialist and capitalist countries continues to be oriented to the preservation of peace in the interest of mankind and, at the same time, to the guarantee of the most favorable possible external conditions for socialist and communist construction.

New conditions for the implementation of the consistent foreign political and foreign trade line of the socialist community of states had matured in the 1970's, favorable to the further implementation of the principles of peaceful coexistence by states with different social systems, the achievement of new advances in international relations and, at the same time, conducive to restricting the scope of those who endeavor once more to replace detente and cooperation by confrontation.

It was characteristic for the course of recent history, especially in the 1960's and 1970's, that it was possible to achieve a change-over from the Cold War to detente and normal, mutually beneficial cooperation. The best evidence is offered by the positive results in economic cooperation recorded in the 1970's, though we never quite succeeded in totally eliminating the influence of the destructive components and tendencies of the most aggressive circles of imperialism.

A considerable shift occurred in the course of the second half of the 1970's and even more clearly at the transition to the 1980's and the first third of this decade. As mentioned earlier, the most reactionary circles of imperialism increasingly turned to an openly hostile confrontation policy. As noted at the Tenth SED Congress, imperialism "continues to be a danger and a threat for the peoples due to its aggressiveness, vagaries and striving for domination, backed by a still considerable potential."(41) In the 1980's, U.S. imperialism and the NATO military alliance led by it have shifted to a particularly aggressive variant of imperialist policy. The "crusade" against socialism preached by U.S. President Reagan more definitely than ever declared the destruction of socialism as a social system to be the official policy of the strongest power in imperialism.

The policy of confrontation also grew more all-embracing at the beginning of this decade. New aggressive elements of a political, military, ideological and economic nature were and are still being initiated. This is particularly evident in the currently much emphasized rearmament efforts, exemplified by the emplacement of U.S. first strike weapons in some West European countries. It is the aim of this policy to shift the approximate military balance between the USSR and the United States, the Warsaw Pact states and NATO, in favor of imperialism. Obviously such a political situation represents an extreme burden on East-West trade not only between the CEMA countries and the United States but also other imperialist states which follow the aggressive U.S. line.

#### Imperialist Strategy in Economic Policy Against the Background of Changed Political Framework Conditions

The fundamental change in the basic political and economic situation of imperialism involved in the obvious shift in the balance of world power toward socialism in the 1970's caused the former to rethink its economic strategy. Upon analysis, the following basic features emerge:

"Firstly to mobilize for imperialism the potential of the new phase of the scientific-technological revolution;

Secondly to gear all efforts for the functional efficiency of international institutions and mechanisms of the capitalist world economy to the changes and new dimensions in international economic life'

Thirdly to utilize the growing role of economics in politics by using economics as an instrument of overall political strategy, in particular in the worldwide argument with socialism."(42)

As regards the evolution of strategies for East-West trade in the past few years, they include "consonant with the nature of capitalism and its present-day situation...both antagonistic and harmonized interests of the main forces operating in imperialism."(43) While basic imperialist strategy is generally and uniformly directed against socialism, two main variants may be observed:

On the one hand, the most aggressive forces in the imperialist states, above all the United States, endeavor to utilize the (above described) objective processes for a general change in the development of the international balance of power: Economics and economic policy and, specially, economic relations between East and West are more and more definitely subordinated to the political strategy of imperialism. They are increasingly used as a weapon in the interest of foreign political and foreign trade goals. They orient to a strategy of confrontation, in other words the aggravation of tensions, the arms race and economic warfare with all means of economic pressure linked thereto, such as embargo and boycott measures, all to implement political objectives.

On the other hand, some people advocate greater realism, taking into account the changed world political and world economic situation and the growing crisis of capitalism. Of course they are also opponents of socialism, but they assess the world balance of power quite realistically and therefore advocate seeking mutually acceptable settlements of international disputes and wish for the development of cooperation for the mutual benefit.

In the period following World War II and influenced by the most aggressive circles of international monopoly capital, especially in the United States, the advocates of the first variant always oriented their economic policy against the socialist countries and their strategy to a reduction of trade by way of embargoes. The champions of the second conception gained the upper hand after the failure of the imperialist economic war in the postwar period, in connection with the beginning detente, specially in Europe. Unfortunately, the ruling circles made constantly greater efforts to exploit economic relations--evidently of increasing benefit for all those concerned--for direct interference in the internal affairs of the CEMA countries. More intensive economic relations were used to attempt the political destabilization of some CEMA countries and economic links exploited for the exertion of political pressure against socialism and socialist economic integration. However, there was never the slightest doubt that both basic imperialist policies are antisocialist in terms of East-West economic relations, that both aim to use the economic factor as a means for carrying on the conflict of the systems. But the ways and means differ in a manner crucial for the cause of the preservation of peace.

Building on these historical experiences and taking into account the various aspects that have resulted in the emergence of a new international situation, we may still speak of two variants in the imperialist conceptions of East-West economic relations--within the framework of a total imperialist strategy--, which encompass some common and some antagonistic attitudes and, in addition, are rarely oriented clearly to just one or the other attitude, especially in their effect on policy.

The essential nature of the hardline orientation rejects or obstructs trade and is most obviously reflected in the imperialist economic war. The so-called linkage doctrine more or less directly couples economic relations (to be reduced in principle) with the concept that it is possible to put political pressure on the community of the socialist countries, to use economic relations and treaties (by threatening to refuse or cancel them) to compel political concessions, political or economic "good behavior." The set of instruments proposed in this spirit includes various types of sanctions and trade barriers. U.S. ideologues and politicians, especially, champion these views. These people even have the gall to call for the "punishment" of CEMA countries and their business partners in Western countries unless they behave according to U.S. wishes. Such sounds are specially audible when the CEMA countries simply stand on their sovereignty and comply with their duties as socialist internationalists. Soviet aid for Afghanistan, the introduction of a new labor union law in the People's Republic of Poland in summer 1982 and many other measures directed against the aggressive interests of imperialism and its counterrevolutionary operations in the CEMA countries, for example, offered pretexts for sanctions, for the refusal of most favored nation treatment, and so on.

When we look at events to 1984, such conceptions occur to a lesser extent in the economic strategies of the West European countries. They are therefore present only in part or scaled down in the government policies of the West European countries and the EEC, usually wherever it is felt that the particular countries is not capable in economic terms to resist the political hegemony of the United States.

Other economic circle (including many representatives of almost all relevant FRG institutions, such as the Foundation for Science and Politics at Ebenhausen, the Hamburg World Economic Archives, the German Institute for Economic Research at West Berlin, the Institute for World Economy at Kiel or the East European Institutes in Munich and West Berlin), completely or at least to a great extent reject these reactionary strategies, although emphases vary considerably among the various representatives. Their most cogent argument is represented by the assertion that the objectives coupled with the policy of sanctions are impossible to realize; the upshot of all such efforts is merely the emergence of additional problems and difficulties in international economic relations, and the ultimate victims of this policy are its very initiators.

Instead some other conceptions--equally aimed against socialism--are often publicized in Western Europe and the United States. One strategy, for example, promotes "productive linkage." The governments of imperialist states

are advised to make advantageous commercial offers to the CEMA countries and link them with positive expectations in the field of so-called human rights, cultural exchanges and communications. We may assume that these conceptions represent the basis of the thoughts of many politicians in Western Europe, specially the FRG. Studiously disregarded is the fact that, to cite Erich Honecker, there simply cannot be a linkage between economics and politics with regard to precisely these issues, and that the socialist countries or their community will not allow themselves to be blackmailed.(44) In this connection we need to constantly stress that the entire policy of the CEMA countries exactly follows the specifications of the Conference on Security and Cooperation in Europe (CSCE) and the Madrid Conference. These are directed to the measures of intensive economic cooperation, the preservation of peaceful coexistence and the expansion of constructive side-by-side living of states with different social systems, excluding all interference in internal affairs. After all, generally positive settlements between socialist and capitalist states concluded in this spirit are ultimately conducive to trade also.

Western ideologues also often describe as "enfolding conceptions" those suggestions that accord or come close to these objectives. They represent the second basic variant of imperialist economic strategy and are supposed to make the socialist countries dependent on the Western partners and catch the former in "a network of mutual economic relations, the asymmetric structures of which favor the Western states."(45) Of an equally antisocialist nature, this strategy, too, orients to a change in the social bases of the socialist countries albeit "gently," in the long term and by way of relatively close economic relations. In addition the Westerners are thus not compelled to forego the economic benefits arising from economic relations. This is accompanied by the acknowledgement that sanctions are ultimately bound to fail and cause greater injury to their instigators than to the socialist countries subjected to pressure, because the CEMA countries cannot be blackmailed from the aspect of economics. Though economic sanctions make it much harder for them to realize their economic objectives, they do not basically change anything, let alone cause them to make political concessions.

The socialist countries are very much aware that these economic conceptions include some elements directed to the promotion of mutual economic benefits. Despite all their justified reservations to the antisocialist objectives, the trade stimulating tendencies of such elements represent a basis for the further development of economic relations even in the more difficult international political and economic situation. From the standpoint of all forces interested in the preservation of peace and cooperation, connecting points arise for further understanding. However, we must note also that the advocates of this second variant of imperialist economic strategy should appreciate that the opportunities for cooperation would be much greater if they were to generally forego all antisocialist attempts at the social deformation of the CEMA countries.

The commercial considerations of business circles in Western countries are particularly attached to this last named policy. These circles are interested solely in the definite commercial advantage of maintaining business links with socialist partners. They are often reproached by some Western politicians and

ideologues--sometimes just dismissively, sometimes with slanderous intentions--of wishing to conduct business as usual, regardless of political events, and thereby injuring the cause of the West. And that although just such commercial relations--unburdened by political issues--are of greater evident mutual economic benefit.

It needs to be noted that the variants of the imperialist conception do not usually present themselves in an absolute form. Indeed, they tend to be mixed up. As a rule they reflect the varying conceptions of the bourgeoisie and, at the same time, quite definitely the power ratio which decides whether and which economic and/or political interests predominate in the Western countries' government policies.

#### Imperialist Economic War at the Onset of the 1980's

The relevant political and economic strategies of imperialism are exemplified in the economic policies of the governments and other influential circles of the main imperialist powers. The ultrareactionary conceptions of using economic relations as a weapons for the achievement of foreign political objectives--using pressure, threats, blackmail and even direct state compulsion--are reflected in the policy of the imperialist economic war conducted especially against socialist countries by the U.S.Government in particular.(46)

Economic warfare is not merely the expression of an ultra-aggressive economic policy; it is an inherent element of the comprehensive imperialist confrontation with socialism, represents its economic component. At the Fourth SED CC Plenum, Erich Honecker said "that the international situation has not been so serious since the end of World War II." Among the "realities of the present time, increasingly characterized by the exacerbation of the international situation with all its adverse consequences," he listed on the one hand such elements as political aggression, diversion, overarmament, ideological warfare and military adventurism and, on the other, the repressive trade and credit policy above all the economic war launched against the socialist countries by the U.S.Administration.(47)

The leading and ultra-aggressive imperialist circles assign a very high place value to their economic conceptions. As an illustration of their reasons, we have been reminded of the well-known pilot document drawn up by the Pentagon for the U.S.Administration and dealing with the "conduct of a lengthy nuclear war." In addition to rearment, diversion by the secret services, political aggression and ideological warfare, this document mentions the high place value assigned to economic warfare against the countries of the socialist community: "The guideline reaffirms as the complement of the military strategy that the United States and its allies should declare economic and technological war on the Soviet Union."(48)

W.P. Clark, at the time President Reagan's National Security Adviser, stated on 21 March 1982 that this guideline represented the basis for the U.S.Administration's overall strategy. In the meantime this strategy has also

been generally adopted with respect to economic relations, and this is manifested in the following:

1. More and more sectors of social production or spheres of the social reproduction process are involved in or more intensively affected by economic warfare. The refusal of licenses, for example, affects research and development; dislocations of the trade caused by restrictions adversely influence production; bans on the import of product from socialist countries and bans on deliveries to the CEMA countries affect foreign trade and circulation. Other sectors also, such as exploration, transportation and the processing of raw materials, energy and foodstuffs (the latter by the grain embargo, for example) have been hit by various administrative measures. In addition, the sphere of international monetary, financial and credit relations is being restricted by high interest policies, credit restrictions, the worsening of interest terms, and so on.

2. The types and methods of the conflict used in economic warfare now are far more extensive than ever. They include primarily embargoes, in other words restrictions or bans on equipment supplies, and the reduction of credits. Another method used is represented by boycotts, for example in the refusal or restriction by administrative fiat of deliveries from CEMA countries to Western industrial countries. In its enforcement of all elements of economic warfare, the United States does not limit itself to its own territory. The pressure exerted by the U.S. Administration to subordinate international economic relations to its political objectives is also demonstrated in U.S. efforts to interfere in the import policies of the West European countries (for example the purchase of natural gas from the USSR)--with the intention to seriously dislocate if not entirely stop these relations. The U.S. Administration in fact succeeded in instigating boycotts against the USSR and the People's Republic of Poland by EEC states and their organizations--despite the latter's attempts at resistance for the sake of their own interests.

The extraterritorial application of domestic U.S. laws is a specially aggressive element of U.S. economic warfare against the CEMA countries. This has also hit very hard at some U.S. allies and accordingly resulted in extremely violent clashes in transatlantic relations. It often involves interference in contracts earlier concluded by firms in other countries (FRG, France, Italy, Great Britain) with partners in CEMA states. Examples are the natural gas-pipe transaction involving the USSR and Western Europe. The revision of the U.S. Export Administration Act bestows at semblance of legal validity on this practice that runs counter to international law.

3. Another aspect of the new stage of the aggravation of the international class war against the socialist countries consists in the involvement of more and more international institutions and mechanism in the conflict about East-West trade. The United States, for example, withdraw from all-European ECE projects (on energy issues, among others), because the ECE as a UN organization considers it imperative to encourage East-West economic relations. The United States also assumes destructive attitudes toward UNCTAD, UNIDO (United Nations Industrial Development Organization), and so on.

The International Monetary Fund (IMF), dominated by imperialism, and the World Bank are exploited by Western governments and major capitalist banks as institutions for credit embargoes. Though the economic summits of imperialist states, NATO committees and, above all, institutions like the so-called Coordinating Committee for East-West Trade (Cocom) (in reality an embargo committee), are to some extent arenas of arguments among the member countries regarding their competing positions in the economic war, due to the compelling force exerted by the United States they ultimately serve to enforce U.S. sanctions. Lastly, the organization of capitalist industrial countries (OECD) and the International Energy Agency (IEA) are also to be made into communication and coordination centers of imperialist strategies against East-West trade.

Economic warfare must be considered within the scheme of the overall imperialist strategy and in interaction with all other elements of confrontation. Consequently,

-- It is of a long-range nature,

-- Not all its manifestations are necessarily of the same intensity; temporary slackening or further exacerbation cannot be excluded;

-- It is not rigid and automatically linked with the other elements of general imperialist strategy (such as overarmament or the political argument). It may therefore be temporarily practiced with relatively greater or lesser intensity.

Though the United States is attempting to as comprehensively and intensively as possible conduct economic warfare against the socialist countries (and, in the interest of its efforts at global hegemony against developing countries and even its own allies, too), the contradiction between its intentions and the actual possibilities for their realization is becoming increasingly conspicuous. Desire and reality are ever more clearly gaping apart, but this does not lessen the hazards of this policy. Keeping this in mind, the U.S. economic war currently displays some superficially "cooperative" initiatives, designed to affect the CEMA countries in the spirit of an "integrating variant." This is certainly revealed by the selective economic initiatives with respect to some CEMA countries, with the aim of provoking dissensions among them. Insofar the current economic warfare differs from that carried on in the Cold War of the 1950's, not least by its contradictory features. At that time many countries solidly backed the economic boycott of the socialist countries. In the present situation, we note some adjustment responses of U.S. imperialism to the changed circumstances. By comparison to 30 years ago, the world economic, political and military potentials now confronting one another have shifted definitely in favor socialism, and the political leaders in the United States are compelled to take account of that fact.

However, we need to emphasize precisely in this context, that both the legal and institutional arsenal from Cold War days has been largely preserved and was reactivated by the United States as far back as the late 1970's (49).

This applies just as much to the above-mentioned attempts to sow dissension within the community of the socialist states and build up specific dependences to provide prerequisites for the effective utilization of confrontational elements.

And yet, the U.S. Administration also confronts limits to the use of repressive practices, due mainly to the strength of the CEMA countries, for example when there is the danger of a boomerang effect, and U.S. profits are adversely affected (as happened, for example, with the grain embargo). (50) Or, as was the case in the natural gas-pipe business, the sanctions imposed had to be in part retracted because it became obvious that they were doomed to failure and would merely aggravate the existing differences inside the Western alliance to an extent exceeding any usefulness of the embargoes.

In general, though, confrontational elements still predominate; cooperative initiatives are more or less subordinated to them, nor are they directed to the development of equal, long-range and stable economic relations involving the division of labor for the mutual benefit.

As indicated before, the United States is trying to involve its allies in the economic war on socialism and nail them to the line of its policy so as to achieve the transition from U.S. to general Western confrontation policy and more effectively undermine the materialization of detente as it had proceeded in the 1970's, specially in Europe. In its attempts to enmesh the NATO allies and other capitalist countries in economic warfare against socialism, the United States is obviously concerned with the following objectives:

- By every means possible to achieve control of the economic contacts of, if at all possible, all capitalist states with socialist countries and thereby be able to enforce the U.S. leadership claim in the sphere of world economic relations, exactly as at the time of the Cold War;
- Accordingly to "discipline" those NATO allies who, mindful of their own interests, seek to continue maintaining profitable economic relations with socialist countries;
- As far as possible saddle their imperialist allies (who carry on most of East-West trade) with the costs and hazards of the economic war on socialism, weaken these allies' economic position in relation to the United States and make them dependent on it;
- To prevent that the imperialist competitors derive economic advantages from U.S. confrontational policy by exploiting for their purposes the so-called delivery gaps due to U.S. embargoes;
- Finally, U.S. policy is directed also and mainly so against West European countries with social democratic or socialist governments, such as France, Austria, Sweden, Finland, and so on, which advocate economic relations with the CEMA countries and therefore resolutely resist U.S. sanctions. By putting at risk political detente and economic cooperation, the U.S. Administration's

policy aims to undermine the governments of these countries and encourage conservative forces.

What are the main areas of conflict with the CEMA countries?

We are well aware that there have always been attempts at dislocating East-West economic relations and economic measures against the interests of socialism. Even at times of political detente, such as in large parts of the 1970's, a constantly available and, to some extent more or less openly used potential of trade political measures and institutions persisted, directed against the CEMA countries and their trade with the OECD countries. That applies most of all to U.S.economic policy and its restrictive foreign trade legislation. The EC countries and other OECD states also employed an entire web of trade barriers--such as import restrictions limiting values and volumes (quotas), discriminating customs regulations, refusal of unrestricted most favored nation treatment, exclusion of the CEMA countries from preferential treatment by the EC in particular, non-tariff obstacles, and so on--against the CEMA countries, in part for protectionist reasons, in part also as a political weapon. Disruptive factors escalated in the latter half of the 1970's: The 1974 U.S.trade law refused most favored nation treatment to the CEMA countries; in 1978 the EC tried to subject its members' credit policy to uniform principles at the expense of the CEMA countries; embargoes were adopted against some CEMA countries, especially the USSR (ban on the supply of computers, oil drilling equipment, and so on); the introduction by capitalist banks and corporations of so-called "risk factors," making it harder to extend loans to CEMA countries, and actions by the Carter Administration which ordered measures directed against the CEMA countries (in the sphere of credit, for example) in connection with the events in Iran. This confrontation policy began long before the events in Afghanistan (late 1979)--and this must be noted here, because it is falsely alleged to be the reason for and beginning of the phase of escalation advancing toward economic warfare--, all these prepared for the subsequent and more extensive period of imperialist disruptive policies.

In concrete terms, it was first attempted to restrict equipment supplies to CEMA countries by the imposition of embargoes.(51) Because the United States failed in 1981 and 1982 to achieve the desired extent of expansion of the embargo lists (though measures for stricter checks on existing regulations were agreed), it has been applying even more pressure in the negotiations at various levels and lasting since the fall 1982, to instigate further restrictions of equipment supplies and licensing by the other NATO states and Japan, and this time the United States was able to record some successes. However, most representatives of leading business circles in Western Europe and Japan warn against any further aggravation of the situation. The current situation is characterized by the fact that the United States succeeded in the sphere of the so-called "sensitive technologies" to have additional restrictions imposed and practices stricter checks in cooperation with other Cocom members, not least with the aim of making neutral states also toe the restrictive line. The expansion of the application of the term "sensitive technologies: continues to be the declared objective of U.S.policy.

At the same time the United States increased its efforts to expand its own economic arsenal for the conduct of the economic war. To be mentioned here is the March 1983 Directive No 75 by the National Security Council, authorizing the President to proceed restrictively against firms which use licences subject to embargo in equipment delivered to the CEMA countries. A revision of the U.S. Export Administration Law is also designed to expand the opportunities for applying the already restrictive internal U.S. legislation extraterritorially, in other words making it applicable to other countries and against East-West trade.(52)

In addition, the current demands of the U.S. Administration are for restraints on loans granted to CEMA countries by Western countries and banks. The attempt is made to politically exploit some trends on international financial markets (at present, for example, greater restraint in the issue of loans due to the prevailing debt situation).

Furthermore various boycott measures are practiced with regard to products from CEMA countries, for political reasons and pretexts as well as selfish protectionist considerations (see Chapter III).

Finally, U.S. attempts are directed in particular against major projects embarked upon jointly by the CEMA countries and capitalist states, such as the aforementioned natural gas-pipe business between Western Europe and the USSR. Also increasingly affected are compensation projects (equipment deliveries on a credit basis against return deliveries of products) and agreements on the modernization or reconstruction of large-scale projects.

Also (and not least) operations have massively multiplied since 1982 with a view to coordinating economic warfare against the CEMA countries under the aegis of the United States so as to more definitely subordinate it to the aggressive aims of NATO's so-called security policy. This is served not only by NATO and Cocom, two international organizations already operating in this direction, lately OECD also has been increasingly involved. The United States consider this organization (its members are the capitalist countries of Western Europe, the United States, Japan, Canada, New Zealand and Australia) particularly suitable for the exertion of pressure, beyond the sphere of NATO and the Cocom members, on neutral states (Austria, Sweden, Switzerland, Finland, and so on) and, on the principle of consensus in OECD, prevailing on them to yield their own best interests. In these circumstances the West European countries and Japan had a good deal of difficulty in asserting their own interests. Nevertheless the past years proved that it is not only necessary but also possible to foil the imperialist confrontation concept. It is evidence of the failure of the ambitious objectives of the Reagan Administration's sanction policy, that important U.S. allies did not carry out Washington's instructions but remembered their own best interests. Examples are the natural gas-pipe transaction, the grain embargo, the lifting of politically motivated boycotts, various concessions in the credit sphere.

In general we note that the most ambitious U.S. objectives could not be fully realized, though dislocations in international economic relations were

substantial and tendencies observable, which indicate the possibility of an even more severe economic blockade (see Chapter IV).

In view of the pressure from Western competitors and the appreciation gained in some circles that a repressive policy against the socialist countries is bound to fail, it is possible that the forecasts by the U.S. research institute Wharton Econometric Forecasting Associates may turn out to be correct: They predict a dramatic reverse of the shrinking trend to a strong growth in trade with the East. It will depend on those involved, though, which of the possibilities is going to prevail.

To the extent that the United States tried to escalate its economic warfare, resistance grew against the instigators of this confrontation. Erich Honecker describes as follows the intentions of the most aggressive circles of imperialism and, at the same time, the failure of the strategic objectives of the economic war: "A policy of sanctions and boycott, trade and economic war, oriented to confrontation, is ultimately unable to force either the USSR or the socialist community to bend the knee to imperialism. It is quite able, however, to undermine economic and political cooperation, and this runs directly counter to the interests of detente and the normalization of the international situation. It is in the interest of all peoples to end this confrontation and encourage peaceful cooperation for the mutual benefit instead of ruining it by useless attempts to blackmail the states of socialism."(53)

If political detente is to be secured and materialized by way of deepening economic relations between East and West, it is a task of the first magnitude to overcome the imperialist economic war, ultimately directed against the interests of all parties in international trade. The increasing appreciation of everybody's best interests offers additional opportunities for getting the better of the imperialist economic war.

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### Chapter III (Excerpt)

#### Contradictory Results of State Monopolistic Operations

The influence of the bourgeois state on East-West economic relations is due to some factors that involve highly contradictory interaction between encouraging and obstructing measures. They depend largely on the internal balance of power, the economic situation of the respective countries and the totality of external framework conditions--in particular political factors. It is obvious that attitudes inside and among the imperialist states are by no means uniform with regard to all issues, and that many gradations must be noted--despite basically fairly uniform anticommunist convictions. The contradictory conceptions and perceptions of the various groups of the monopoly bourgeoisie intersect in the ways and means of influencing East-West economic relations. Variations range from frankly reactionary circles who reject almost all types of economic cooperation to those circles of the monopoly bourgeoisie who advocate a highly developed exchange with the socialist states.

The new quality of East-West economic relations, developed in the 1970's and reflected in cooperation, compensation, cooperation on third markets, scientific-technological cooperation, and so on, objectively requires a much greater commitment by the capitalist state. Indeed, despite the different roles assumed by individual countries, the capitalist state has relatively many opportunities to affect the general development of foreign economic relations and, therefore, those with socialist states. As I mentioned before, this influence may be either encouraging or obstructing, and I will deal with these aspects in the following.

#### Factors Promoting East-West Economic Relations

In general we may note that the system of state monopolistic foreign trade promotion vis-a-vis the socialist countries is practiced very differently in the three competing imperialist centers. This is reflected in the volume of foreign trade as well as in the extent to which new methods of cooperation are used in reciprocal economic relations.

Japan ranks first with respect to state monopolistic export promotion, while the Western European countries display a greater variety in handling this set of tools. France and Italy use it more resolutely and purposefully than the FRG, the Netherlands and Switzerland.(22) In France this state monopolistic mechanism serves to promote East-West economic relations by, for example, direct state subsidies granted French firms which participate in fairs in CEMA countries or for business trips to these states. France also uses bilateral institutions to control and favor these economic relations. The French Government has a positive attitude to the conclusion of cooperation agreements with CEMA countries.(23) In the matter of credits, also, France and Italy were most receptive in the 1970's.

I will now list some of the capitalist states' measures and possibilities to stimulate East-West economic relations:

1. State guarantees may be provided to encourage cooperation, for example the financing of large-scale projects with state guarantees for the extension of credits or preferential loan terms (interest concessions, and so on), as is the international custom in the case of such projects, and lastly also by the assumption of government secured guarantees.

Sometimes the easing of credit for projects in East-West economic relations by the respective governments is part of bilateral agreements. Article 5 of the 6 May 1978 Agreement on the Development and Deepening of Long-Term Cooperation between the USSR and the FRG states: "In view of the importance of financing including the grant of medium and long-term loans for the further development of economic cooperation, the contracting parties will--to achieve the objectives of this agreement--make every effort with regard to the issue of guarantees, so that medium and long-term loans may be granted within the framework of the regulations in each of the two states and on the most favorable possible terms."(24)

However, such opportunities are used to a limited extent only. The capitalist states stimulate exports to almost all other countries by a purposeful and state subsidized credit policy, either directly, that is by export promotion via lending on preferential terms, or indirectly, by the insurance of export transactions, largely by way of export credits, but such facilities are not available nearly as readily vis-a-vis the socialist states.

2. Another possibility is the capitalist states' grant of most favored nation treatment to the socialist countries. This old established international tool for the promotion of international trade may be used deliberately by capitalist governments to facilitate and stimulate East-West trade. The comprehensive bestowal of most favored nation status--advocated by UNCTAD and CSCE--would help to largely remove still persisting discrimination in international trade and accord the same legal status to all states involved in international business transactions. Finland's foreign trade boasts a relatively large share of involvement by socialist countries (around 28 percent)--more than other capitalist countries. This exemplifies the usefulness of the purposeful stimulation of these economic relations by means of most favored nation treatment, among other factors.

3. Purposeful customs preferences, tax relief and other measures may also positively affect East-West economic relations.

The Finnish Government, for example, agreed the planned lowering of customs tariffs for imports from the CEMA countries. This measure was positively affected by the Finnish Government's earlier step of initiating closer cooperation with CEMA, backed by a state treaty. This demonstrates the encouraging role a bourgeois state may play in East-West economic relations. At the same time we must always remember the great importance of the interaction of politics and economics.

4. Some state monopolistic regulations, for example with regard to structural development programs, may have beneficial effects on the development of East-West relations. These proceed increasingly with state involvement (in particular with regard to environmental control, transportation, the infrastructure and reconstruction projects for entire industries as well as research and development), so that the state here also has objectively satisfactory possibilities for promoting cooperation with socialist states. At the same time the state may here purposefully aid the involvement of small and medium-size firms in East-West cooperation, and this has been provided for in some agreements with socialist countries.

The second (1979) Ten-Year Agreement on Economic, Industrial and Technical Cooperation between the USSR and Austria, for example, emphasizes the importance of the involvement of small and medium-size capitalist firms.(25) Other than large corporations, 200 small and medium-size FRG firms are involved in the largest iron and steel industry project, now being carried out in USSR-FRG cooperation, the Oskol electro-metallurgical combine.(26) Specialized Austrian medium and small-size firms, for their part, hold an around 40 percent share in Austrian economic relations with the GDR.(27)

5. Opportunities also offer for the further development of East-West economic relations by the use of the state sector, in particular in the West European countries.

Experience has shown us that a relatively extensive East-West trade is carried on in those capitalist countries of Western Europe, where the state sector, in other words state ownership of the means of production, includes a considerable section of industry. The respective governments are thus able to provide a particular stimulus to East-West trade.

To be mentioned in this context is Austria which boasts a relatively strong state sector in industry, accounting for about 20 percent of total gross output and exports. The socialist countries, for their part, account for about 20 percent also of the total exports of this sector.(28) State enterprises hold some 45 percent of the Austrian exchange of commodities with the USSR; in the case of the GDR, this share amounts to slightly more than 50 percent. VOEST-Alpine AG, the largest enterprise in this sector, does around 20 percent of its business with socialist countries; in the average of the 1970's almost 20 percent were recorded also by Chemie Linz AG. The latter chemical corporation obtained a third of its imports from the CEMA countries. More than half all passenger and cargo ships built at the state owned shipyard Korneuburg were destined for the USSR.

In France, too, the state sector of industry is relatively strong, for instance in energy supply, processing industry, the automobile industry, aircraft production and the chemical industry.(29) Many of these firms cultivate active economic relations with the CEMA countries. New methods of cooperation in automobile construction, for example, were almost exclusively handled by way of the state owned Renault company, though there are another three French automobile manufacturers. In the sector of scientific-technological cooperation, Electricite de France, another nationalized firm and producer of more than 60 percent of the electricity needed in France, was the first major French firm to initiate scientific-technological relations with the Soviet Union. Nationalized firms account for 25 percent of French exports to the USSR.

The Italian Government holds more than 20 percent of the country's capital investments and, via its holdings and subsidiaries, controls almost 400 corporations and firms. The entire state property (enterprises, investment participations, banks, insurance and commercial companies) are supervised by a few financial holding companies such as ENI, IRI, EPIM, and so on. They are all more or less involved in East-West Trade and have been so for a relatively long time. These state holding companies have available their own financial enterprises and banks, thereby exercising considerable influence on the Italian capital market. A special ministry of government holdings supervises most state owned enterprises and plans their common policy.

An agreement signed by the Italian ministry of government holdings and the GDR ministry for foreign trade in summer 1978 proves that the Italian Government wishes to mainly use this sector to expand its cooperation with the socialist countries. This agreement provides for the substantial expansion of economic,

industrial and scientific-technical enterprises of the GDR and semi-state owned enterprises in Italy.(30)

Conditions in Italy therefore tend to favor the development of economic relations with the socialist countries by bringing to bear the relatively strong nationalized sector (Italian state owned enterprises account for more than 50 percent of exports to the CEMA countries--examples are ENI, Finsider, Montedison and so on).

In general, the state sector enables the governments of the countries mentioned to purposefully work to meet the obligations for the expansion of East-West economic relations, assumed by way of government agreements, and thereby promote trade with the socialist countries.

6. The use of contacts at the highest level is another immensely important instrument for helping along East-West economic relations. The FRG, for example, maintains such contacts with many CEMA countries to a much greater extent than other capitalist countries. In the past this has favorably affected the FRG's competitive status in East-West economic relations.

Altogether we may claim that the further development of East-West economic relations tends to require a much more active commitment by the capitalist state to encourage such relations; at the same time many unexploited possibilities are available.

#### Reinforcement of Restrictive Practices

Counter to this need, no diminution of the existing obstacles in the sphere of these relations is perceptible at this time. Indeed, significant government actions adversely affect the progress of East-West economic relations.

At the end of the 1970's, especially, due to the more acute U.S.confrontation policy vis-a-vis the socialist community, obstacles, restrictions, embargoes and boycotts and other measures directed against better East-West economic relations showed a considerable increase in intensity.

As we know, most of these initiatives begin in the United States, often against the objections of their allies. While the United States had never made any genuine effort to encourage East-West economic relations, its attitude turned positively destructive at the threshold of the 1980's, from the standpoint of its general strategy, directed to a "crusade against communism." This policy is also a part of U.S.efforts to insist on its leadership of all other capitalist countries.

Though I generally considered this problem in Chapter I, let me here deal in detail with various directives that tend to substantially disrupt international trade and are designed to serve these U.S. objectives. The following measures are particularly characteristic:

1. The 1979 Export Administration Act subordinates economic relations with socialist states to the realization of the U.S.Administration's political

objectives and, beyond the national framework, asserts the U.S. Administration's extraterritorial legal claim. The respective controls, therefore, apply not only to direct U.S. exports but also to reexports of commodities and equipment originating in the United States.(31) This clause represents crass interference in the internal affairs of other countries.

2. Generally and openly, economic relations are used as a weapon to help achieve U.S. foreign political objectives, to exert pressure, threaten and blackmail. The means are embargoes, boycotts, discriminatory protectionism, refusal of credit, and so on. The policy of equipment embargoes specially obstructs the dynamic elements in international economic relations, because international equipment exchanges--the importance of which as means to intensify international economic relations and settle world problems is growing objectively--requires long-range, complex and secure agreements.

Instead, the U.S. Administration radically cut the volume of bilateral relations and contacts with the USSR in the scientific-technical field. Though the Soviet-American agreements on cooperation in the exploration of the worlds' oceans, environmental control, medicine and health care and, later, agriculture also, were officially extended in December 1981, real cooperation was substantially reduced by comparison with the mid-1970's; moreover, if cooperation continued to be pursued, it had to cope with many obstacles.(32)

3. The government adopted boycott measures, for example refused or insisted on reductions in imports from socialist countries by the United States and the EEC region. This was to make it harder for the CEMA countries to carry on their export offensive and impede or undermine the socialist countries' efforts for balanced trade and improvements to their commodity structure. Reactionary imperialist circles are exploiting for the purposes of their policy of confrontation the growing neoprotectionism in the capitalist world economy, to escalate this protectionism in a discriminatory manner vis-a-vis the socialist states and link it with political objectives.

The various applications of the existing tariff and non-tariff trade obstacles currently tend to inflict very severe damage on the CEMA countries' potential sales on the capitalist world market. Particularly affected are industrial exports, among the most important exports from the CEMA countries consonant with their economic structure--not only in trade within CEMA but with nonsocialist countries also.

4. The U.S. Administration, in particular, attempts to pressure the socialist countries by barring their access to international credit markets.(33) This is designed to thwart the normal financing of East-West economic relations. These efforts aim in particular to

-- Raising the cost of loans to make it more expensive for the CEMA countries to financially settle East-West trade;

-- Generally reduce credit relations serving the development of East-West trade (for instance state subsidized or guaranteed export credits by capitalist countries, Euro credits, supplier credits);

-- Use credit relations as tools for the exertion of political pressure and for interference in the internal affairs of CEMA countries'

-- Create a common set of instruments for the imperialist states to coordinate the credit policy of the capitalist countries or banks engaged in East-West trade.

5. The United States endeavors to achieve the increasing coordination of the capitalist countries' East-West economic relations--under its supervision--by the greater involvement of capitalist organizations and institutions. The U.S. Administration is attempting, for example, to misuse United Nations organs such as UNCTAD, ECE and the Paris Union Convention for the Protection of Commercial Property, to torpedo the deepening of the international exchange of technologies and the drafting of democratic principles and terms required for that purpose.

6. Well known measures are being reactivated, such as

-- The refusal, withdrawal or selective application of most favored nation treatment vis-a-vis socialist countries. As a result, many CEMA countries are subject to extremely high customs tariffs; usually they need to pay triple the customs duty payable by countries enjoying most favored nation treatment.

Consequently U.S. customs authorities charge GDR export goods 30-40 percent of the value of the goods--in some cases even 100 percent--vastly more than the tariffs charged other countries and disadvantaging the GDR so as to make many business transactions altogether impossible. (According to U.S. customs statistics, the rates of duty for machine tools are usually 5-10 percent--for countries enjoying most favored nation treatment; the rates for the GDR amount to 30-45 percent.)

-- The quotas imposed by the EEC on commodities from socialist countries alone prevent the full utilization of sales opportunities whether for traditional or technology intensive new export commodities.

The FRG, for example, imposes quantitative restrictions on almost 500 import headings from the USSR.(34) Though, for Bulgaria, 94 percent of the goods on the export list are free, the remaining 6 percent, representing 50 percent of the value of Bulgarian exports to the FRG, are subject to special quotas; they include metals, textiles, some chemicals, woodwares and steel.(35) The effects of EEC protectionism on Hungary adversely affect exports of clothing, textiles, shoes, steel and lamps, in particular. Textiles, shoes and steel also figure among the commodities affected with regard to CSSR exports. As for the USSR, obstacles are put in the way mainly of exports of steel, nonferrous metals, chemical products, woodwares, ball bearings, some types of industrial equipment and consumer goods.(36) Overall this protectionism has particularly negative consequences for labor intensive products of the processing industries.(37)

-- The extremely strict control and regulation of imports from the CEMA countries carried on by the capitalist industrial countries with regard to

such sectors as are most affected by the crisis in the capitalist world economy (metallurgical products, textiles, and so on).

Since the late 1970's, the EEC countries have made 127 textile products subject to import licensing, in other words imposed quotas on such imports. At the same time mandatory minimum prices were fixed for iron and steel exports to third countries. Other products affected by quotas are leather goods, in particular shoes, home entertainment electronics, motorcycles, technical consumer goods, zippers, mineral oils, some fertilizers, electric bulbs, ball bearings, glassware, ceramics, floor tiles, and so on.

-- The increased use of licensing by respective procedural regulations in the capitalist industrial countries to make trade more difficult (cuts in the application times and periods of validity, delayed issue of licenses, ban on license overstays).

-- The rapid rise in the incidence of so-called antidumping proceedings against socialist countries to stop the positive development of their exports. This amounts to the imposition of high customs duties on imported commodities, because they are alleged to be offered on the market at unduly low prices (dumping). It says a great deal that their--increasingly frequent--use begins as soon as an antidumping investigation is launched. In other words, immediately rival domestic manufacturers with protectionist ambitions call on their authorities to initiate the respective proceedings, imports are virtually halted. In 1977, the EEC Commission issued new antidumping guidelines even more simplifying the application and initiation of such proceedings. As a result their numbers have jumped.(38)

As a result of these measures, export conditions on capitalist markets were made additionally difficult for the socialist states--already hard hit by the crisis in the capitalist countries (decline in demand, greater competition, and so on). The achievement of stable sales and purchase lines for the CEMA countries is considerably more complicated.

When assessing future trends, we must assume that the trade policy of the capitalist countries as practiced at the present time will affect international trade in the next few years also--on the one hand due to the radical aggravation of the rivalry on the capitalist world market, on the other due to the imperialist policy of confrontation.

As regards the prospects of East-West trade, the possible expansion of trade obstructions in the capitalist countries would be bound to adversely affect exports by the socialist states, in particular of more highly processed, labor intensive and technically high-quality products. The import restrictions on the CEMA countries existing in the capitalist countries also represent a serious obstacle to international trade, and this is even further aggravated when these measures are coupled with political actions directed against the socialist states. Not even the imperialists deny that the continued pursuit of the present trend will involve considerable injury for the capitalist industrial countries also--not only from the aspect of their economies but also from that of international political relations.

If they are to develop as advantageously as possible, world economic relations do objectively require state monopolistic regulation by the imperialist states. However, state measures to stop these relations are an entirely different kettle of fish. Business circles in the capitalist countries cannot be indifferent to their governments and state organs' behavior with regard to economic relations with the socialist countries--and that is very relevant indeed to the interaction between the capitalist state and the monopolies. Actually the basic issue is this: What is their political attitude in their relations with the socialist countries--that of peaceful coexistence or that of the "crusade against communism." It must be perfectly clear that the role of the capitalist state and its organs in the first named direction needs to be encouraging if East-West economic relations are to progress for the mutual benefit of both sides. Being in charge of political relations, the capitalist governments bear a special responsibility in this regard.

#### The New Quality of International Instruments

The growing responsibility borne by governments for the organization of East-West economic relations is (and not least) reflected in the international legal foundation that represents the basis of these relations. Consequent upon the influence exerted by the socialist states, new methods and a new quality of the international mechanism for the organization of East-West economic relations emerged in the 1970's, in particular, involving the states of both systems. This system of instruments, agreements, mechanisms and institutions bases on the principles of equality, mutual benefit and noninterference and, thereby, carries forward to the international stage the progressive democratic elements generated by the socialist states.

At a time when, --due to many factors and changes in world economic structures and powers, specially by the influence of socialism and the new role of the developing countries--, a new order of international economic relations, their principles and institutions, is on the agenda, this system that grew together with East-West economic relations represents an encouraging factor for all progressive trends and endeavors in the world economy.(39) Particularly at this time, it counteracts the decline in East-West trade. This set of instruments serves the control and regulation of East-West economic relations by both sides and has had demonstrably favorable effects, is mainly the result of successful developments in the conditions of the international detente in the 1970's. It will certain affect the further organization of East-West economic relations in the second half of the 1980's and beyond, and generally encourage the reorganization of international economic relations on a democratic basis.

This set of instruments involved first of all the bilateral agreements at government level, concluded between socialist and capitalist states. These agreements, usually proposed by the socialist states, decide the direction and principles of cooperation; they are based on democratic principles of international economic cooperation, are of a long-range nature and therefore offer important prerequisites for the achievement of a purposeful development (balanced in terms of mutual interests) of economic relations between

socialist states and capitalist industrial countries and give these relations the political and economic stability required.

At the present time the following types of international agreement on economic cooperation between the CEMA countries and the majority of capitalist industrial countries predominate:

-- Long-term trade agreements;

-- Government agreements on cooperation in trade, business, industry, science and technology;

-- Long-term programs on the development and deepening of economic and industrial cooperation;

-- Credit agreements;

-- Agreement on cooperation in various sectors of the national economy or branches of industry.

In recent years these agreements have further developed in qualitative terms: They also include new spheres of East-West economic cooperation and are for longer terms, some for 25 years (examples are USSR-Finland, USSR-FRG).

Moreover, large-scale, long-term commercial agreements and contracts are increasingly concluded between the CEMA countries' foreign trade organizations and firms in capitalist countries, in particular on a compensation or cooperation basis.

Secondly and simultaneously, some types of mechanisms for cooperation have evolved as a consequence of the development of the treaty and contract appropriate organization of the bases of East-West economic relations as influenced by the socialist states. These evolved mainly by reason of objective economic requirements, and most of them have proven useful in practice.

They include especially those bilateral institutions joining representatives of the two sides and created by government agreements between socialist and capitalist states on the development of reciprocal economic, industrial and scientific-technological cooperation. These institutions have the special assignment to back and encourage the realization of the agreements. The following are some of them:

-- Mixed government commissions,

-- Mixed study groups for specific sectors of cooperation,

-- Temporary groups of experts,

-- Technical committees, subcommittees on special problems of cooperation,

-- Economic advisory councils or trade and business advisory councils,

-- Joint chambers of commerce.

As institutions for the promotion of cooperation between states with different social systems, all of them embody a new type of the mechanism of international economic cooperation. By virtue of the cooperation of representatives from the socialist partner states, they are able to lend greater stability to the intersystemic economic relations--as a new quality of world economic relations--, counteract adverse influences of the capitalist world economic system, positively affect the attitude of the capitalist states and contribute to the introduction of new principles in international economic relations.

These treaties, agreements and mechanisms therefore provide favorable prerequisites for the capitalist states also to for their part promote East-West economic relations and discharge their responsibilities, assumed in the respective treaties and agreements, for the organization of these relations, especially as regards the framework conditions.

Still, it is imperative once more to emphasize that all these new types and mechanisms of cooperation can be fully useful to both sides only if the general conditions in the capitalist countries and their attitude to East-West economic relations are positive on the whole; again, political relations must be accorded special priority. Let me remind you of the proof offered by the beginning of the 1980's, when imperialist conceptions of economic warfare produced steadily more adverse effects on the implementation of the objectives of bilateral agreements and the work of bilateral government commissions and other institutions of East-West relations. Admittedly, East-West economic relations had already assumed so much importance, that the most aggressive imperialist circles did not succeed in making prevail their conceptions to the desired extent (that is actual liquidation).

In future it will be important to further expand this tried and tested mechanism with its progressive elements which already influence economic relations in capitalism. Provided these progressive elements and instruments of international economic relations--evolved as the result of the influence of socialism--, prevail, they will be able to exert a favorable influence on the attitude to East-West economic relations by the capitalist states and the monopolies.

#### Chapter IV

##### Possibilities of and Approaches to Economic Relations between Socialist and Capitalist Countries

The CEMA countries have frequently reiterated their firm intention to maintain economic relations with Western industrial countries and to purposefully further develop them. Decisive for this attitude is the fact that it allows a contribution to be made to the preservation of world peace, the peaceful coexistence of states with different social systems, and that economic relations for the mutual benefit may have an important role in the accomplishment of the economic tasks the CEMA countries have set themselves.

Of course, the interest in economic relations between capitalist and socialist states is not limited to the latter alone. Influential business circles in Western industrial countries are repeatedly showing much interest in the expansion of commercial relations; for many and various reasons, politically significant circles in the governments of many Western countries, parties and organizations also advocate the further development of such relations. We may therefore assume that we may in future expect influential forces to in their own interest agree with us about the desirability of developing more economic relations between East and West.

#### On the Political Framework Conditions

Unfortunately not all signals are set for the preservation, consolidation or expansion of East-West cooperation. The current situation is also characterized by U.S. and NATO efforts at any price to shift the strategic world situation in their favor. This became very clear in late 1983, when--by the emplacement of its missiles--the Reagan Administration deliberately torpedoed the Geneva negotiations on the limitation of nuclear arms in Europe.

The states of the socialist community reaffirm that they are on principle and without any change maintaining their political line as spelled out again in the January 1983 Prague Declaration and at the June 1983 meeting in Moscow of the top representatives of the Warsaw Pact. This is aimed at doing everything possible for the preservation of world peace. They are therefore generally prepared to deepen relations and the dialogue with the capitalist states, that is with all those who "advocate a constructive settlement of the problems, European and international security, the reduction of tensions, the lowering of the level of military confrontation, peaceful coexistence and actual cooperation among the nations, regardless of their social systems."(1) The strategy of the community of socialist countries orients to oppose any actions aimed at worsening the East-West relationship and arising from the escalation of overarmament, the imperialist policy of threats, blackmail, military adventurism and ideological warfare, and at the same time to do everything possible to defend the existing profitable relations in the economic, scientific and technical sphere.

Nevertheless, in future also the interaction of politics and economics--and the primacy of the former--will remain a fact of life. Let me stress once more that East-West economic relations will satisfactorily and lastingly advance only in harness with constructive political settlements, including the emerging process of military detente as the reflection of the wish for peace of all involved. It follows that the political framework conditions with political confidence at their center cannot be overestimated with regard to the future of East-West trade.

The formation of political confidence is quite properly assigned to the sphere of military environment. We all know that mankind is threatened with the ultimate danger--the danger of its own destruction--by aggressive imperialist policy. Not least for that reason is it urgently necessary for economic relations between East and West--as a factor promoting detente--to be encouraged rather than discouraged by politics. Consequently arms limitation

and reduction would be positively compelling steps for the improvement of the political environment. This would provide a beneficial political push to the more favorable development of the economic situation. The general improvement of the political and military environment is thus the vital prerequisite not only for the preservation of peace but for economic relations between East and West also. The states of the Warsaw Pact have drawn up and submitted proposals for the respective agreements, including treaties on the renunciation of military force.

Incidentally, many Western partners of the CEMA countries are appreciating the importance of politics within the framework of general relations between East and West, considering political detente the necessary foundation of a new upsurge in East-West economic relations. East-West relations can advance only in a climate of constructive political settlements as the expression of a peace promoting will. That applies even if the economic situation were to improve, and far more if it were to remain difficult. In this spirit--although this involves more than faith and hope--we must agree with those Western experts who "hope and believe that, as often in the past, politics will arrive at new settlements for future East-West relations even in the currently serious situation--and even though this is bound to take a long time, will again provide a stable and reliable basis for economic cooperation as well."(2)

#### Contradictory Trends in the Capitalist States' Economic Policies

Due to the divergence of interests, the economic policies of the capitalist states, in particular their governments, are characterized by extremely contradictory trends.

On the one hand, the United States, and particularly the highly reactionary wing of the ruling political group, is undertaking enormous efforts to urge developments in a direction that more and more evidently aims in the long term to conduct an imperialist economic war against socialism. The protagonists of this conception insist that restrictions in the sale of equipment to the USSR and its allies should be as extensive as possible and already now fixed through 2000. Accordingly, the export control system put in place in the late 1940's, and its application at the expense of the socialist countries and international trade is said to be of prime importance for U.S. and NATO interests.(3) Entirely in this spirit, the Washington Institute for International Economics advocated for the future also "economic sanctions to assist foreign policy goals."(4) This is precisely the gist of the U.S. Administration's long-term efforts to coordinate and dictate the economic policies of all capitalist states. It is increasingly endeavoring to subordinate international organizations to this goal also. U.S. Secretary of State George Shultz, for example, told the OECD Council of Ministers (an economic organization which includes neutral capitalist industrial countries as well as the NATO countries), that OECD needed to be paramount in the supervision of the attitudes and trends in West-East trade and financial relations.

Still, though currently only within strict limits, more realistic attitudes seem to be gaining ground even among senior U.S. politicians and their environment. U.S. Secretary of Commerce Malcolm Baldrige proposed a reduction in the Cocom embargo lists to 50-60 percent of the commodities hitherto banned from export to the CEMA countries. Especially business circles not immediately benefiting from the gigantic profits resulting from overarmament aim, in their own interest, "by all means at our disposal to prevent" any expansion of the Administration's restrictive export controls (as per an interview with U.S. Chamber of Commerce president Richard Leshner).<sup>(5)</sup> We must nevertheless guard against the assumption that a shift beyond tactical and electoral considerations is likely in current policy as initiated and backed primarily by extremists.

As regards future developments in the economic policy of the other capitalist countries vis-a-vis the socialist community of states, we note that all aspects of the economic war are meeting with increasing resistance by West European business in particular. This resistance is strongest with regard to direct U.S. interference in the business interests of the Western partners (greater restrictions on equipment deliveries, for example, or strict Cocom regulations, or restrictive credit policy). Otto Wolff von Amerongen, president of the German Industrial and Trade Association (DIHT), repeatedly criticized American actions directed at "enforcing greater restrictions or a kind of trade war...by the pretext of classifying as 'security goods' more and more products intended for the exchange of commodities."<sup>(6)</sup> Other serious reproaches are addressed to the revision of the U.S. Export Administration Act which, analogous to the failed embargo on the natural gas-pipe transaction, is designed to establish the extaterritorial application of restrictive domestic U.S. laws against overseas branches of U.S. corporations and firms in Western Europe and Japan, in case these latter were to conduct business with the states of the Warsaw Pact against the wishes of the U.S. Administration. The result of this application of U.S. law would be the legitimization of the ban on deliveries of American commodities and on the issue of licenses to these corporations as well as import restrictions on those in the United States as well as other kinds of "punishment."

West European demands with regard to the restrictions in the field of credit are also increasing with a view to either generally liberalizing the credit embargo or at least allow for selective consideration of easing lending to some CEMA countries.

There are also West European objections to the U.S. desire for coordinating the East-West economic policy of the capitalist countries.

In general the West European assessment of the possibilities for realizing the U.S. efforts at pressuring the socialist countries tends to be more realistic than analogous U.S. appraisals. The West Europeans are certainly taking into account the importance of East-West economic relations for Western Europe in its rivalry with Japan and, even more, the United States. Another reason for West European reservations with regard to an economic war against the CEMA countries--bound to come even more to the fore in the 1980's--was phrased as follows by Berthold Beitz, chairman of the supervisory board of the FRG Krupp

Corporation, who pointed out the secure and expanding markets of the CEMA region: "The East is not susceptible to economic blackmail."(7)

Still, the West European governments are very cautious in their objections to the policy pursued by the United States, and this may have very adverse effects indeed on international trade in the 1980's. On the one hand, these U.S.allies favor the expansion of economic relations--in contrast to the United States. On the other hand, the governments of the West European countries and Japan at least to some extent and with regard to specific items agree with the U.S. activities against economic cooperation, citing that the Warsaw Pact countries might derive military benefits from such economic ties. This is exemplified by their readiness at least partially to expand the Cocom embargo lists (by about 50 of the 140 headings requested by the United States according to the status of March 1984); this affects, among others, microelectronics, robot equipment power plant and installations. In some instances even countries which are not members of Cocom (Switzerland, Austria and Sweden) back off as a result of U.S.threats and feel compelled to "review" their national regulations on the export of so-called strategic goods to the CEMA countries.(8) Moreover, West European and especially EEC countries place many other obstacles in the way of trade.

In the next few years we must therefore expect very contradictory and rough developments in the area of political and economic framework conditions. They are generally characterized by the further deepening of the general crisis of capitalism and simultaneous structural and cyclical crises. The capitalist governments' policies with regard to the politics and economics of East-West relations are closely connected with the crisis manifestations and at the same time have some of their important roots therein. Developments will continue to be determined by strong conflicts about the different variants of imperialist policy. We may assume with various ideologues in Western Europe, that the policy of muddling through will prevail.(9) In this case the existing contradictions among the imperialist states may well be temporarily hidden while new divisions grow up. It is only too likely, therefore, that in future also phases of exacerbation will alternate with those of relaxation in the East-West dispute.

The contradictory features of the basic political and economic conditions and the increasing rivalry between the imperialist centers and individual imperialist states will not permit a completely uniform and coordinated economic strategy against the CEMA countries--though the fundamental antisocialist interests of imperialism will continue to persist. Due to many differences in general as well as detailed aspects, the conflicts in the basic lines of economic strategies and policies are virtually unbridgeable. In the course of constant clashes, there will always be a search for new compromises between the competing positions of the imperialist centers and their countries, but even agreement at a low common denominator is unlikely to long endure.

As regards the second half of the 1980's, it will also be much affected by the intensive efforts of the socialist states for an improvement in the international situation, coupled with the aim not only rapidly to develop

their own socialist economic integration but at the same time to further organize economic cooperation with Western industrial countries.

Despite all the opposition of the most aggressive circles of imperialism and regardless of the timid nature of its text, the outlines sketched above are reflected in the "concluding document" of the Madrid Conference,(10) in particular the reaffirmation of the principles of security, the provisions on a conference on measures to promote security and disarmament in Europe and also deepened cooperation in the sectors of the economy, science and technology as well as the environment. The participants of the CSCE confirmed their interest in the encouragement of the appropriate favorable conditions for the further development of trade and cooperation, not least by reiterating the need to fully meet the provisions of the final Helsinki communique. We must consider the general attitude at Madrid from these aspects: "That the realization of all provisions of the final communique and complete respect for the principles stated therein on relations among them represent the essential basis for the development of their cooperation in the sectors of the economy, science and technology as well as the environment. At the same time they reaffirm their conviction that cooperation in these sectors contributes to the consolidation of peace and security in Europe and the entire world. In this spirit they again express their resolution to continue and strengthen this cooperation, regardless of their economic and social systems."(11)

#### Possible Future Developments of Economic Relations between East and West

Taking account of the extremely complicated political and economic situation in the first half of the 1980's, socialist and capitalist countries differ considerably in their assessments of the future shape of East-West trade. Some ultra pessimists allow hardly any chance of positive development in economic relations between the CEMA countries and the OECD states; on the contrary, they forecast their increasing insignificance. Such views are found most of all in the United States, among advisers and members of the Administration. They try to assign responsibility for this somber forecast to the economic developments in the socialist countries. Actually responsible are their own destructive strategies and designs. These are directed to the further worsening of the international situation, and the realization of these designs is to injure the socialist states.

Any such further deterioration in East-West economic relations would be highly disadvantageous for the economies of all those involved, and--above all--this would mean the undermining of an important basis of political detente. All those interested in the preservation of peace are bound to unequivocally reject such an economic war.

Despite all machinations of the boycott and embargo policy, the internationalization of economic life will continue to affect East-West economic relations. Admittedly we cannot assume a rapid surge in East-West trade in the near future, though this is a prospect considered possible by the earlier mentioned U.S. Wharton Econometric Forecasting Associates. This institute actually predicts "a dramatic reversal of the shrinkage trends" and a "strong growth in Eastern trade."(12) This evidently amounts to an

underestimate of the actual political and economic problems that currently give a negative connotation to the framework conditions of East-West trade.

A realistic appraisal of the situation and its possibilities, featuring neither unjustified pessimism nor unreasonable euphoria, is likely to be most useful to the economic interests of the partners in East and West and, at the same time the improvement of the international situation. We may say quite definitely that the potentials of East-West cooperation have certainly not been exhausted. Of course we must assume that, instead of another exacerbation in the confrontation with regard to politics and economics, we will see a softening of these tendencies among leading imperialist circles, offering at least an appropriate political framework for the further organization of relations.

Still, even if the more positive organization of political framework conditions is going to exert a beneficial effect on economic East-West cooperation, we must remember that these are relations affected on the capitalist side by profound and irreversible changes in the conditions of its very existence. Developments will therefore in future also be influenced by the profound cyclical and steadily worse capitalist structural crises, although this certainly does not exclude positive opportunities for the CEMA countries with regard to the sale or purchase of commodities as well as cooperation.

The CEMA countries' objectives are closely tied and subordinated to the continued pursuit of their economic policy in direction of the further socialist intensification of their national economies and deepened economic integration. It is from these standpoints that they interpret the increase in the output and export of marketable products consonant with world market demand.

In the foreground of the CEMA countries' attention is not primarily the quantitative expansion of turnover but the better utilization of qualitative factors that may arise from these economic relations (greater efficiency, improved export and import ratios, and so on), coupled with the priority use of the domestic possibilities available for the accomplishment of the set tasks in each CEMA country and the community of the socialist countries as a whole. It is worth noting that the proportion of foreign trade with capitalist industrial countries in their total foreign trade now amounts to about 28 percent (see Table 4); it follows that trade between the CEMA countries has risen further yet.

Of particular importance in this connection is the development of export and import ratios consonant with the orientations of the CEMA countries' politican leadership bodies. The most important tasks--interaction with one another--are the following: To exploit all possibilities so to push the sale of products on the markets of the OECD countries as to guarantee the planned assurance of imports for the realization of national tasks. Obviously the realization of these tasks in terms of time will vary in the individual CEMA countries, despite observance of this basic orientation.

A stable infrastructure is an important point relating to the further development of East-West trade in the 1980's. As said earlier in this issue, the CEMA countries start from the fact that credit is a normal tool of trade and should be used accordingly. In relation to the GDR, Erich Honecker indicated the great capacity of its national economy as well as its stable financial situation and prompt discharge of all financial obligations, emphasizing that it is "no more than reasonable for the GDR to expect with respect to its borrowing needs (which are simply part and parcel of the operation of international economic life) to be treated as an equal and without discrimination." We always need with the greatest resolution to point out that the GDR is not ready to approve a linkage between trade and financial agreements on the one hand and political conditions on the other.(13)

Unfortunately various efforts to that effect continue in the Western camp. Some forces, including Western banks, identify with the U.S. policy of economic warfare, see no need to change their restrictive policy. They maintain that Western loans to CEMA countries could not become a strong motor for East-West trade, because the general monetary situation on the financial markets is able at best to secure financing for current transactions.

Other banking representatives, scientific institutions, and so on, do however increasingly plead for more or new loans to the CEMA countries to be granted by Western banks as an important element in the development of reciprocal trade.(14)

Many representatives of West European banks and institutions emphasize the GDR's creditworthiness. A study by the German Institute for Economic Research, for example, states the following: "The GDR's efforts to cope with the problems confronting it are remarkable, and this is demonstrated both by the tendencies of exports and imports and the reduction in its debts...The GDR's behavior offers no economic reasons contraindicating the issue of continuation loans."(15) Bankers stress that the GDR's absolute punctuality in meeting its liabilities leaves no basis for an unfavorable appraisal.(16) Moreover, banks are once again "under pressure from firms wishing to supply the GDR."(17)

Such attitudes also respond to the Madrid recommendations according to which monetary and financial issues should be dealt with so as "to contribute to the smooth expansion of trade."

At the same time the CEMA countries will continue to champion the further or new development of types of cooperation, methods and mechanisms serving the interests of the partners in the expansion of the economic exchange and are therefore of mutual benefit. This also accords with the recommendations of the Madrid Conference. These say: "The participating states acknowledge that the expansion of industrial cooperation on the basis of mutual interest and motivated by economic considerations may contribute to the further development and diversification of their economic relations and the wider application of modern technology." Emphasized in particular are the long-term nature and the assurance of cooperation within the framework of agreements, the

encouragement of projects of "competent organizations, enterprises and firms."(18)

Compensation projects, especially those of large dimensions, are a type of cooperation that might be extremely important in the 1980's. The Madrid documents comment this as follows: The participating states "appreciate the potentially useful role of such transactions, agreed on a mutually acceptable basis." Many CEMA publications underline the usefulness of this type of cooperation.(19) It reflects in a very special way the mutually beneficial nature of cooperation, generated mainly by the long range, the large scope and the complexity of the transactions, the assurance of markets, and so on. Western enterprises, for example, are certain of stable sales, in particular of equipment, machines and plants, but also of longer-term supplies of products manufactured, processed or transported as a rule by means of precisely this equipment. In the majority of cases this involves raw materials or semifinished products such as natural gas, oil, lumber, chemical products and even highly processed products.(20) According to studies at hand, we are entitled to assume that the share in East-West trade of products manufactured within the scope of compensation projects is steadily rising (currently it amounts to 30-40 percent).(21) Incidentally, this increasing importance of compensation projects is consonant with the international trend on Western markets also.(22)

Growing importance must also be ascribed to East-West cooperation on third markets, mainly in developing countries. This largely involves the development of natural resources, the diversification of raw materials sources, the industrialization of the developing countries, the sale of products and the reverse deliveries of national products--usually developed on the compensation principle--to the socialist and capitalist countries.(23)

The operations of mixed marketing companies on the markets of Western countries are certain to increase in the coming years. The use of such nontraditional types of economic cooperation and the involvement of new sectors in this or that CEMA country in closer economic cooperation between East and West--oriented to national interests--will also assume constantly greater importance.

We must also expect the mechanism and the institutional aspects of cooperation to evolve more clearly in the next few years. The Madrid document orients to the following key issues:

-- The identification of concrete projects including those of a multilateral nature, possibly in the sector of energy, transportation and environmental control, or the realization of already agreed measures with regard to environmental control;

-- The conduct of symposiums, seminars, and so, specially with regard to the encouragement of cooperation, the settlement of problems arising in the sectors science and technology;

-- Greater facility in going to arbitration;

-- The development of many connections for the purpose of the exchange of data and experiences (including economic, commercial, scientific and technological developments, and so on);

-- Improvements in working conditions for experts, sales organizations, and so on;

-- Special activation of the operations of ECE as an organization merging most member countries of CEMA, OECD and all of the EC members. Recommended here is the widest possible utilization of the available mechanisms and resources for the implementation of the relevant provisions of the final communique in the interest of the member countries;

-- Further efforts to achieve a more extensive involvement of small and medium-size enterprises in East-West trade in general and in industrial cooperation in particular. It would be desirable to obtain a balanced ratio for the involvement of large corporations and medium-size enterprises.

#### Promoting Confidence in the Sector of Economic Relations between East and West

The Madrid recommendations may represent a new starting point for the positive development of East-West cooperation. In the final analysis, this would benefit all parties and serves peace--that is the comment of a leading Western East-West trade expert.(24)

Unfortunately, representatives of the bourgeois camp are unmistakeably of the opinion that it is enough to pursue economic relations in continuation of types and mechanisms already practiced by the familiar institutions and within known sectors. As in the past, even otherwise realistic persons tend to suppress, ignore or malign necessary shifts in trading arrangements.(25) In fact, though, overall improvements in trading arrangements are needed for any further development of economic relations. In Madrid, the CEMA countries were able to make prevail several compelling claims to that effect--in part against vehement opposition from representatives of imperialist states, mainly NATO members but also from the EC. It was resolved, for example, "to make further efforts with the aim of reducing or gradually abolishing all types of obstacles opposing the development of trade." With the help of ECE studies, such obstacles were to be identified to trace possibilities for their reduction or gradual abolition, because this would represent an important contribution to the harmonious development of economic relations. In another part of the Madrid final document, we find the statement that the participating states reaffirm their interest "in the reduction and prevention of technical trade barriers," and that they "welcome increased cooperation in this field."(26)

The CEMA countries' conceptions aim precisely in this direction, all the more because it is almost impossible for them even by their utmost efforts to overcome the trade barriers erected--whether from political or economic motivations--such as quotas, special license obligations, other restrictions on value and volume, and administrative regulations, and that would hold true even with a much improved export base, with products displaying top

scientific-technical standards and quite capable of finding buyers on Western markets. Moreover, such measures savagely cut the efficacy of foreign trade operations (for example due to the refusal of preferences, high import duties, and so on). Particularly aggravating in the East-West relationship are the politically motivated boycotts of the CEMA countries as well as other types of imperialist economic blockade described before in this issue.

All these factors obstructing East-West economic relations have resulted in a diminution of confidence in reciprocal economic relations. To successfully achieve realistic attitudes in East-West economic relations in the further course of the 1980's, it would be immensely important to restore confidence and strengthen it. At their Prague Conference, the members of the Warsaw Pact organization therefore plainly stated that they advocate "the all-round expansion of factual cooperation in trade, industry, agriculture and science and technology--without any discrimination--, also measures to strengthen confidence in economic relations."(27) The drafting of a charter for the formation of economic confidence or the codification of such measures would certainly offer a good method for fixing and realizing such confidence strengthening measures with mandatory effect for all those involved in East-West trade. For reasons of their own, Western experts also consider such possibilities useful.(28)

The basic starting point of such measures arises from the acknowledgement of the fact that there are indeed countries governed by two mutually exclusive social systems, and that it is imperative in all mutual relations to respect their social differences. Conflicts in the sphere of trade may not be used for effecting changes in the other system or preparing the soil for such changes. If the above mentioned charter existed, it would also be much harder in an injurious manner to escalate to the spheres of commercial relations the ideological argument between the two systems, (which obviously persists).

However, in this context we need to take account of several considerations:(29)

-- East-West relations must proceed as such between sovereign, equal and independent states, taking account of the laws and order in effect in the respective country, without interference in internal affairs and without prejudice with regard to the interests of third countries.

-- They must be devoid of any kind of discrimination and correspond to the principles of mutual benefit and most favored nation treatment.

-- Economic relations must base on a stable and long-term foundation, coupled with the observance of the commercial terms agreed between the governments.

-- It must be the goal of the international division of labor to create a system of mutual economic relations, that will enable every country as rationally and effectively as possible to develop its productive forces and improve its standard of living by using not only its own resources but profit also from the division of labor.

Such general elements provide the rough social framework for the formulation of various specific aspects of measures designed to create confidence. These may be classified from various standpoints, a few of which I will mention (though it should be noted that they should be considered only inside a contractually guaranteed political environment unless they are themselves the object of settled provisions in the sphere of international economic relations):

It is certainly easier to gain and make appropriate provisions for greater confidence in the economic than in the military sphere. To reinforce confidence in East-West economic relations, we require the unconditional renunciation of attempts to abuse them to interfere in internal affairs or for political threats or pressure against socialist countries or their community. All sanctions would have to be finally abandoned. It would be a satisfactory step in the right direction to secure more and more sectors against future interference by governments or other political leadership bodies by international bilateral or multilateral "antsanction agreements." An example is available in the provisions of the 1983 USSR-U.S.A. agreement. The United States guarantees that the grain volume stipulated within the framework of this treaty will no longer be threatened by sanctions as a consequence of foreign policy considerations.(30)

In connection with the demand for the creation of greater confidence in trade relations, Westerners often raise the issue of mutual give and take. As a rule this assumes an asymmetry in relations, to the effect that the West would "give" and the East "take" more. Of course there must be a balanced give and take; the socialist countries have always thought so. Only this does not involve some unilateral "concessions" with regard to issues that have nothing to do with the matter in hand, in other words an unconscionable linking of economics and politics. At stake instead are settlements for the mutual benefit to be agreed by both parties within the framework of their political and economic interests.

Another point to be considered is that of the best approach to the gradual settlement of problems. This is basically advocated both in East and West.(31) Among the immediately realizable measures might be the following:

- The obligation not to introduce any new restrictions infringing existing rules of international trade;
- A stop to the expansion of existing quantitative restrictions and their gradual downscaling;
- The abandonment of the use of trade restrictions for noneconomic reasons;
- The cessation of the misuse of trade regulating systems such as the antidumping regulations.

Other steps should be provisions aiming at the grant of unrestricted most favored nation treatment. As we know, almost 10 years ago all states participating in the CSCE stated in the final communique that they

"appreciate the beneficial effects liable to arise for the development of trade from the application of most favored nation treatment." (32) In actual fact very few steps were taken to the realization of this recommendation. Whenever they did occur, they mostly involved nonaligned states such as Finland, Austria, and so on. The NATO and EC states, in particular, virtually run counter to the CSCE final communique provisions they cosigned, whether with regard to customs regulations, restrictions on value and volume, and so on.

Substantially concerned is the reduction of customs tariffs and all nontariff obstacles. Credit also will have once more to be handled as a normal instrument of trade and may not be, for political motives, subordinated to restrictive attitudes or discriminatory conditions.

When I discussed the general elements, I explained that we are always concerned with principles imposing respect for the sovereignty of the partner states, their different social systems, the social order existing in each respective country. It is equally true to say that the agreed measures must always be confined to mutual relations and, obviously, just the special sphere of international economic relations. They cannot involve agreements on, say, the economic mechanisms, legal bases or institutionalizations adequate to the respective social system.

Finally, agreements between East and West must not confine themselves to the removal of discrimination introduced in the interim, indeed they must result in fundamental improvements. We need the removal of barriers but also special encouragement especially by the governments of the states involved. And the contractual obligation imposed for such promotional measures would mean greater security for the future.

Some people argue that no charter or code of economic confidence is required, because important aspects of measures for the establishment of economic confidence are already provided for in the CSCE final communique and the recommendations of the Madrid Conference as well as in documents of the United Nations and its organs, such as UNCTAD. This argument does not hold water because we have learned from experience that these recommendations have not been enough so far to prevent discrimination, protectionist regulations, and so on. We must also take in account the fact that East-West trade involves direct relations between the two opposing world systems, not just some spheres of international trade generally. We must always insist on the clear realization of the fact that all this involves an important field of the materialization of political detente, the success of peaceful coexistence and the preservation of world peace--that is a sphere of the utmost relevance--when we use world peace and the continued existence of mankind the yardstick.

We already have many bilateral settlements including important elements of measures for the establishment of confidence, and we must strive to preserve them. Still, it is not enough to bilaterally root confidence establishing measures, they need to be supplemented by multilateral settlements between East and West (for example between the EC and CEMA). As emphasized at the December summit meeting of the CEMA countries, we are also concerned with

profitable relations with the organizations of developed capitalist countries. From this aspect, an important step toward the promotion of confidence would be the conclusion of a treaty between the two major economic groups so as to encourage the further development of the trade and economic relations now existing between the member countries of these organizations.(35) As we know, CEMA proposals submitted to the EEC to that effect have never received a constructive reply.

Some people hold that confidence consolidating measures would not stand much of a chance in view of the policy of the reactionary circles of NATO or the United States, which would in any case rigidly maintain their attitudes directed against detente and cooperation. Such a view merely shows how important it is in the interest of the improvement of international economic East-West relations to conduct discussions and arguments that may potentially result in the settlement of these problems.

When we consider this entire complex of issues in its very varied contexts, we cannot doubt that the advance of economic relations between East and West will require exceptional efforts. These must center on efforts to continue or reinstate detente and therefore all actions contributing to the preservation of peace. The CEMA countries have submitted abundant proposals to that effect.

#### Economic Cooperation between Socialist and Capitalist Countries and its Influence on the Democratization of International Economic Relations

We may expect the practice of economic relations between socialist and capitalist countries to exert a considerable influence on the democratization of international economic relations, in particular the organization of the developing countries' economic relations with multinational corporations and imperialist countries.

An economic system, the socialist world economy, has emerged within the framework of the world economy. This is developing on the basis of other class concepts and other socioeconomic laws. A new type of international relations emerged, characterized by fraternal cooperation, mutual aid, true equality, noninterference in internal affairs and mutual benefit. Unknown in this sector of world economic relations are exploitation, enrichment at the expense of other nations, inequality with respect to rights and the exploitation of foreign resources. The economic development of the CEMA countries in the framework of socialist integration proceeds as planned and in a coordinated manner. A socialist mechanism evolved for mutually beneficial international cooperation, based on the interaction of planning and commodity-money relations as management methods for the international movement of production factors. This confirmed Marx' prediction--he had pointed out that social ownership leads toward the harmonious national and international coordination of the social forms of production.(34) These principles characterize the economic relations of the CEMA countries within the scope of their socialist economic integration.

The CEMA countries' example, their achievements in the socialist and communist construction, the consolidation of friendship and cooperation among them,

exert a great deal of positive influence on world developments. The Declaration by the CEMA Member Countries comments this as follows: "In their reciprocal cooperation and their relations with other countries, the socialist states consistently and in fact realize the principles of a new kind of international relations; they thus provide an effective contribution to the transformation of international economic relations on a just and democratic foundation."(35) Their economic relations also--albeit with varying intensity--affect all other international economic relations. Regarding the organization of international economic relations they offer a direct example to the developing countries above all, and a stimulus for their struggle for the democratization of international economic relations. In view of this example, the developing countries more and more insistently oppose the imperialist practices of inequality and discrimination by claiming the implementation of democratic standards in world economic relations organized by capitalism.

The socialist countries are proving in practical terms that it is possible to deflect the adverse effects arising from the operations of the multinationals. Their policy underlines the fact that equal conditions can definitely be brought about among the parties concerned. Although this is bound to be a long and hard road, it is evident that success may be achieved in compelling the multinationals to acknowledge principles in the matter of world economic relations, which serve the reinforcement of peaceful coexistence, such as:

- Respect for the political system and the social circumstances of the partner;
- Noninterference in the internal affairs of the other;
- Respect for the territorial integrity and sovereignty of the other;
- Giving up subversive activities directed against the partner.

Ultimately at stake is the development of a division of labor that benefits both sides, not the multinational monopolies unilaterally.

The provisions basic to East-West economic relations demonstrate this: In the field of world economic relations, the multinational corporations are unable unrestrainedly and unilaterally to exploit the raw materials resources of the other and exploit the other's manpower potential. Socialist ownership of the means of production in a state ruled by the dictatorship of the proletariat, socialist planning and the socialist foreign trade monopoly set limits to the operations of the capitalist corporations. Whenever some socialist countries permit Western firms to operate on their territories, these latter are subject to restrictions by the prevailing laws. The interests of the socialist states enjoy priority in determining the objectives but do not neglect the commercial interests of the Western partner.

The top representatives of the CEMA countries noted that they are variously backing the progressive claims by the developing countries in their struggle

for economic decolonialization, the guarantee of their full sovereignty with regard to their natural and other resources and their economic operations, their extensive and equal participation in the settlement of international economic problems. Particularly emphasized are the cessation of the outflow of capital and the emigration of skilled cadres, the strict application of the general preference system, because they recognize the necessity to counter any worsening of the developing countries' economic situation and to encourage their progress. By their influence on the organization of East-West economic realizations, the socialist countries provide an important constantly growing contribution to the transformation of international economic relations on a just and democratic basis--for a new international economic system.

\*

In the Declaration of the Member Countries of the Council for Economic Mutual Aid, the top representatives of the CEMA countries emphatically underlined the close interaction of peace, the security of the peoples and the development of international economic relations to be realized on a healthy basis. They submitted a realistic program for action with regard to the organization of international economic relations--something of interest for the majority of countries all over the world. Konstantin Chernenko, general secretary of the Central Committee of the CPSU and chairman of the presidium of the USSR Supreme Soviet commented: "Socialism thereby shows once again that it is the natural ally of all those who struggle for the elimination of discrimination and for the exclusion of any exploitation in international economic relations as well as against the exploitation of economic levers as means to exert political pressure and interfere in the internal affairs of sovereign states." (36)

Consequently, the CEMA countries will continue to be actively committed to the development of mutually beneficial economic and trade relations as well as scientific-technical relations with the capitalist countries, indeed with all states worldwide. As the declaration says, this will happen in the conviction "that the development of these relations will contribute to the consolidation of mutual understanding between the peoples and to international detente."

#### FOOTNOTES

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  1. Licencing agreements (mostly with subsequent payment by finished products);
  2. The delivery of complete factories or assembly lines (payment often proceeds by way of finished products);
  3. Joint production and specialization'
  4. A system of subcontractors;
  5. The establishment of joint sales or production enterprises;
  6. Bids for and conduct of joint projects (in third countries).
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GERMAN DEMOCRATIC REPUBLIC

STATE ASSISTANCE REQUIRED TO FACILITATE APARTMENT EXCHANGES

Improved Service in Berlin

East Berlin BERLINER ZEITUNG in German 11 Dec 84 p 3

(Article by Dr. Karl-Heinz Gerstner: "Apartment Exchanges Expanding")

[Text] A rising trend to apartment exchanges has been noticeable all over the republic for several years past. The reason is easy to understand. Extensive housing construction has made more apartments available; currently the stock stands at 6.5 million. At the same time, renters interested in housing exchanges are able to offer better apartments, because modernization has also proceeded apace since 1972 and increased every year. At the Ninth SED CC Plenum, Erich Honecker reported that 770,000 apartments had been provided in 1981-1984 by new construction and modernization, making available better housing conditions for 2.3 million citizens. In these circumstances, there are obviously more opportunities now than in the 1960's (for example) for apartment exchanges which often serve to better settle the housing problems of two families.

Around 10,000 Apartment Exchanges This Year

That is confirmed at this time by developments in Berlin. The apartment exchange center maintained by the magistrat at Leipziger Straße 49 was approached last year by 6,400 applicants and submitted 6,100 offers to them; 551 apartment exchanges were arranged within Berlin proper. This year 6,877 applications were processed by October and 55,747 offers submitted, resulting in 961 apartment exchanges. We may surely expect a total of more than 1,000 for the year. Moreover, these figures are incomplete because many exchanges do not report to the center at Leipziger Straße upon completion of an exchange. Many other apartment exchanges are conducted outside the exchange center. As we all know, the only condition in every case is the approval of the competent section for housing policy. The incidence of apartment exchanges in Berlin in 1984 is estimated at about 15,000. At a total Berlin housing stock of 340,271 (late 1983), that is a very respectable figure.

City District Selflessness Now Increasing

Obviously many more people would like to receive statements than are actually

able to do so. A lot of conditions need to be met for the various requirements to be compatible. This does not mean only the size of the apartment, plumbing, the type of heating, and so on. Other factors are also quite important such as shopping facilities, public transport availability, nursery schools or creches, neighborhood restaurants and, in the case of older partners, the preference for lower floors.

We have learned in recent years that many exchanges were obstructed by administrative heavy-handedness. Multi-exchanges, in particular, involving several partners, tended to fail due to time consuming formalities. Every party needed to go to several offices with each piece of paper to obtain the appropriate stamp. Even the application form currently used by the exchange center still seems unduly complicated and insufficiently customer friendly.

City district borders also obstructed many exchange proposals. Total equality of the apartments involved is very rare in exchanges. It may well happen that an exchange partner is quite prepared to exchange his 3-room apartment for a 2-room apartment in another city district because it suits his requirements. However, I have learned from letters sent in by various readers that the sections for housing policy at the city districts occasionally refuse such applications for exchange, because the city district "would lose a room." City district borders or various legal entities (MHW [municipal housing administrations], AWG [workers housing construction cooperatives] or private apartment building owners) should not be allowed to prevent apartment exchanges if the motivation is reasonable. Uwe Thiel, manager of the apartment exchange center, has told me that this city district resistance has now been overcome. The more than half a million apartments in Berlin are considered a single stock available for exchange, and that is just as it should be.

Now for the actual apartment exchanges arranged in Leipzig Street:

In the past the apartment exchange center had office hours only once a week, on Tuesdays from 8:00 am to 12:00 pm and from 1:00 pm to 6:00 pm. The place tended to be crowded, because 100 visitors on the average were received each Tuesday. Since last April, therefore, another day has been set aside for office hours, Thursday from 9:00 am to 12:00 pm, and from 1:00 pm to 4:00 pm.

Once a month, the exchange center writes to the applicant, enclosing a list of offers received. Four months of this service cost 4 Mf. 100. These fees meet some of the costs of the exchange center. In the past 2 years each applicant received 10 offers on the average.

Since April last, following the initiation of a revised set of office hours, applicants are sent offers twice a month. The services of the exchange center have perceptibly improved since that date.

The Post Office lately laid a cable between the Berlin data processing center (storing data on Berlin apartments) and the apartment exchange center. The exchange center, for its part, now has its own electronic projection equipment

data by Robotron and can call up the appropriate offers from the central computer in seconds. A significant improvement in the exchange center's services may therefore be expected next year.

#### Turning into a Service Enterprise

As the result of all these innovations, the exchange center will undergo a reorganization. Up to now it was subordinate to the section housing policy and housing management at the Magistrat. It is now turning into a service enterprise with its own economic accounting, the Apartment Exchange Service VER. It is to be an enterprise able to offer its customers a service and increasingly relieve exchange seekers of the formalities which are still very time consuming.

So far I have talked only of apartment exchanges within Berlin. There is also an interdistrict apartment exchange in the GDR. It is handled by exchange centers operating in all district cities in a manner similar to the Berlin center. At this time interdistrict exchanges are relatively rare, but they will gain in importance once the other centers are also equipped with FDP. As a result of the strong influx to Berlin, the demand for apartments in the capital is of course much greater than the availability of offers. The ratio is around 1:100.

#### Increasingly Meet the Demand by Exchanges

In general the time seems to have come to provide the organizational and technical conditions for an expansion of apartment exchanges. New building and construction and modernization are continuing with the objective of getting housing as a social problem by 1990. The 1985 plan provides for an unprecedented task in this field. A total of 200,125 housing units are to be completed, 117,570 by new construction. The trend sketched at the beginning is therefore likely to continue, indeed to strengthen. Once the quantitative and qualitative base of the apartments available is generally expanded, it will be possible to increasingly satisfy the demand for exchanges. To be mentioned in this connection is the orientation given in the latest Berlin and Berlin conference-to facilitate the removal of senior citizens to smaller and acceptable apartments, if they so wish.

#### Frankfurt Administrative Responsibilities

East Berlin PRESS-INFORMATION in German No 147, 14 Dec 84 pg 77

(Article by Alfredo Sommer, Minister of Frankfurt Berlin, Presser) "Encouraging and Facilitating Apartment Exchanges"

That towards the end of 1984 we may claim that the targets for the development of the existing stock will be attained in the older districts and indeed exceeded as in the GDR generally. We are in a good position to by 1990 completely realize the housing program of a social nature. When we include the housing stock, new building construction, modernization and

maintenance in our considerations, it is evident that we are confronted with a hard but manageable task.

The efficient utilization of available apartments by properly considered allocation and housing space control in cities and communities assumes increasing importance in the achievement of our objective. To implement the sociopolitical program, local councils and their municipal housing administrations, the workers housing construction cooperatives and the labor union and local housing committees are also concerned to equitably distribute the available housing space consonant with social needs. Suggestions and proposals from the public help this project.

#### Housing Conditions Improved for 25,000 Citizens

In the past 5 years, citizens in Frankfurt Bezirk exchanged apartments 11,394 times with the help of official agencies. Housing conditions thereby improved for around 25,000 residents. In the first half 1984 12 percent more apartment exchanges were effected than in the same period of 1983. At the same time as many as 537 underoccupied apartments were put to better use. These results were largely achieved by the operations of the apartment exchange centers in, for example, Schwedt, Eberswalde and Fuerstenwalde, and by the resolute efforts of city and village councils to control the available housing space.

Accurate data on the current utilization of the housing stock and quarterly updating are important bases for increasingly including in the resolution of the housing problems those rooms that are currently not used as living quarters. It is in the national interest to substantially reduce the incidence of overcrowded and underoccupied housing space. The organized and voluntary apartment exchange is one possibility we intend to more resolutely to pursue.

We have noted that it is useful not merely to accept applications from individuals willing to exchange but to purposefully influence citizens on the basis of the available data - underoccupied and overcrowded apartments, in coordination with the local and labor union housing committees. Mayors, the sections for housing policy of local councils and municipal housing administration enterprises are already cooperating closely in many places. Together with the housing committees, they approach citizens who live in underoccupied apartments, offer help for possible apartment exchanges. This involves individual approaches, because apartment exchanges require the willingness of both parties to the exchange. Often it is a hard decision to make, because one party has to give up familiar surroundings, possibly a neighborhood where the person grew up, or the close vicinity of friends. Such take require a good deal of empathy particularly in the case of older citizens, and often require help in getting始ate with the removal and reacclimatization to the new environment.

#### Fatherlandwide People gather Useful Experience

The local state organs have the experience of using this method in the exchange of apartments. Thus experience another form of exchange of experience.

problem. Useful experiences are now being gathered in Fuerstenwalde. In January last an apartment exchange center was established there as a facility subordinated to the city council. It has taken over specific services. In many cases, for example, it looks after the exchange formalities and, if repairs are needed in the new apartment, organizes the cooperation of the legal entities involved. Help is given especially to older citizens, large families and single parents. The housing organs also aid them in such matters as agreement on the date of removal, provide transportation and assist in other organizational matters. It is the aim for the respective city councils to conclude the appropriate contracts with the Road Transportation VEB and the service facilities.

The Fuerstenwalde authorities additionally involve in the individual conversations the work collectives, activist groups of the permanent housing policy committee at the local council as well as the district nurse, personnel of the National Front and People's Solidarity. Many such talks cause individual citizens to consider their own possibilities, too, for helping settle the housing problem in their own district.

The Fuerstenwalde people are not alone. In the bezirk capital, Eberswalde and Schwedt exchange centers are also operating quite successfully. Using the experiences gained (and exchanged regularly) and consonant with the orientations given at the SED Central Committee and GDR Council of Ministers' seminar with Kreis chairmen and chief mayors on 1 and 2 March 1984, we will be setting up removal service facilities in 1985 in all kreises of Frankfurt Bezirk.

To accomplish these and other tasks involved in purposeful apartment exchanges, we are currently drafting an outline directive. This establishes the greater responsibility of city and village councils to more rationally use housing exchanges as a significant reserve for the resolution of the housing shortage. It has also been found useful for the bezirk councils to assign to the local counsils orientation indices for apartment exchanges at the time of the state targets for the annual plan of housing management. Kreis, city and village councils in Frankfurt Bezirk have been given the task in 1985 to organize at least 3,500 apartment exchanges and thereby create more pleasant living conditions for additional residents.

File  
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GERMAN DEMOCRATIC REPUBLIC

BRIEFS

INCREASED DEMAND FOR HOUSING--Despite the costly state housing construction program and a stagnating population, the demand for housing is growing in most GDR cities. Young people are getting married earlier to escape parental supervision. More and more older people would prefer a convenient apartment to an old age home. Increasing problems are also caused by divorces among young couples, a GDR broadcast reported, because each party wishes "to have his or her own apartment." Moreover, it was said, there is a general trend toward "better housing." Studies have shown that some of the residents in new residential districts, for example, are not satisfied with the size of their apartments. Many occupants of small studio apartments would like a second room. A new GDR study admits that the standardized and extensive new housing construction, so far typical for the GDR, offers little scope for the satisfaction of varying housing needs. [Text] [Bonn IWE WIRTSCHAFTSDIENST in German Vol 25 No 48, 13 Dec 84 p 1] 11698

CSO: 2300/205

HUNGARY

FUNCTION, REORGANIZATION OF STATE DEVELOPMENT BANK DISCUSSED

Budapest FIGYELO in Hungarian No 50, 13 Dec 84 pp 1, 7

[Interview with Peter Havas, general manager of the State Development Bank [AFB] by Dr Gyorgy Varga: "We Cannot Afford Tuition"]

[Text] Under the title "Changing Banking System" we published an interview with state secretary Dr Matyas Timar, president of the Hungarian National Bank [MNB] in issue No 46, 1984 of the FIGYELO. The interview dealt primarily with the expected changes in the MNB's functions and system of institutions.

This time we are publishing the conversation Dr Gyorgy Varga had with Peter Havas, general manager of the AFB, the other large financial institution.

[Question] The AFB is a Janus-faced institution which on the one hand handles the financing and support of investments made by central decision, and on the other hand conducts banking activity of commercial nature. How will this twosidedness change in the future?

[Answer] The AFB is not among the banking institutions which typically conduct commercial activity.

It operates as the bank of intervention by the state and this will also fundamentally determine the character of its activity in the future.

[Question] What is the content of state intervention?

[Answer] This is an important theoretical question. In economic debates the state's decisions are often inherently considered anti-market actions which deform the market. This is not a correct position. Everywhere in the world the market is corrected and influenced by the states for social or economic policy, perhaps for international considerations. The essence and purpose of state intervention is to promote implementation of the social and economic policy goals in some cases to limit certain processes, to strengthen and provide an advantage for other processes. State intervention often serves the very improvement of the marketing

ability of enterprises. For example, just think of the energy and material savings programs, the help for the developments which serve the secondary utilization of wastes or the so-called support industry developments. Naturally the highly significant strategic decisions by the state--for example, in energy management or in raw material production--also belong within the sphere of state intervention. Improving the infrastructure is also the state's job. A significant portion of this serves the economy's ability to function.

[Question] How does the AFB see the coordination of its state intervention and business activity in the future?

[Answer] The AFB's activity cannot be simplified in such a way that part of it is to finance the central decisions and the other part is the business activity. There are many steps in between. I would like to emphasize the state preferred implementation goals that the bank and the enterprises together decide on. Actions like these provide a transition between the central financing and that made purely for business considerations. In these cases the typical method of obtaining preferential loans, state loans, basic grants, or partial support by the budget is competitive bidding evaluated by the bank's methods, where recovery is considered the primary requirement. The share of our business activity taken in the strict sense of the word is rather small in our total activity. Even with these the bank wants to promote the implementation of those general economic policy goals which would not begin without help from the banker. These of our initiatives have pioneering significance. Through our experience we wish to offer proven methods also to others.

[Question] Which are the more important areas of AFB's business activity?

[Answer] First of all I would like to emphasize the help we provide to establishing small enterprises. For example, we have set up engineering offices and enterprises, joining our own capital with that of several enterprises. Some of these were created to handle the implementation of major undertakings. In industry and the construction industry the AFB was the midwife also in establishing the first subsidiary enterprises. We have set up management offices for the development of innovative activity. We began organizing enterprises to be established with foreign operating capital.

[Question] What prompted the AFB to embark on business banking activities which involve risks, giving up its comfortable position provided by budget financing? Was it by any chance the general slump of the investment activity?

[Answer] No, that is not it. Rather, what encouraged us to develop our activity of enterprising character was that we saw that there is no progress in certain areas in spite of encouragement by the economic policy. The AFB as the bank of state intervention, performs its

function well if, for example, it reacts in an active manner to the economic policy's requirements connected with the acceleration of innovation. Therefore jointly with the OMFB [National Technical Development Committee] and the branch ministries we established innovative banks which finance the entire process of innovation from technical development through investment to arrival on the market. But invigorating the flow of capital among the enterprises is also such a goal. In response to this we have taken on organizing and handling the issuing of bonds. We are also selling the bonds today.

[Question] Do you consider the AFB prepared to handle these business actions?

[Answer] There is no doubt that the institution's profile is determined basically by financing the developments that are centrally decided and supported by the state. The composition of our staff has also developed in accordance with this requirement. The ratio of people with college level training is relatively high, more than 40 percent. Most of these are economists but there is also a significant number of people with technical training and engineer-economists. Preparation of the feasibility studies of investments, evaluation of profitability, analysis of the technical and market risks require great experience and preparation. In this sense our bank is a typical investment bank. I emphasize that we also perform this banker's analysis work for investments decided upon centrally. Until a year or two ago the centrally decided major investments satisfied practically without exception our debt service, that is, the investments were recovered with interest. Even now only a few enterprises belonging to those branches are causing problems which are in crisis all over Europe. In spite of this the bank's profit is up in the billions. But we have recognized that the economy's methods are changing, therefore the AFB must also conform to this and the purely business and market methods must be blended with our traditionally developed "profile." But the business and market economic operation and preparation for it derive from our traditional investment practice.

[Question] So far we could only hear about successes of undertakings initiated by the AFB. Is the line of successes really unbroken?

[Answer] It is absolutely untrue that each one of our initiatives and undertakings turned out according to the expectations. This is an unrealistic assumption if for no other reason then because for the most part we have initiated unprecedented undertakings. Thus the first swallows, even if they did not perish, did really catch a cold sometimes. Neither we nor our partners had any experience in the way undertakings must be organized and sent on their way. It is also the reason why in many undertakings we accepted the role of ownership so that we could directly experience this from up close.

[Question] According to your experience what caused the failures?

[Answer] The success of small enterprises depends first of all on the choice of manager. Well, our personnel selections did not in each case prove right, even though from the very beginning we applied the method of applications. Besides this it also undoubtedly had a role in the failures that the conditions of the environment were not yet always ripe, and we must not forget that there were errors in our business judgements.

But over all we have many more successful projects than unsuccessful ones and even these latter ones are for the most part just struggling with the difficulties of beginning.

[Question] Are any of your projects struggling with financial difficulties?

[Answer] There are some, but we also have projects which have repaid the invested capital in 2-3 years. Of course the enterprises struggling with financial difficulties or producing less income than expected must not be declared unviable right away. A certain grace period is required, allowing the opportunity to make corrections. We can do this even more so because the enterprises in question were created with modest amounts of investment.

[Question] Isn't there a danger that the AFB undertakes its projects at the expense of the budget's resources and will also account for its losses in this manner?

[Answer] May I begin with a simile? If cold and hot water come from two sources, it can no longer be determined about the lukewarm water leaving the mixing valve which water particle came from one source and which came from the other. The situation is similar also with the daily payments every bank makes. Naturally we know exactly every day how big the budgetary burden is and we call it in a little later rather than earlier. Neither are we in the hurry to refinance loans with the national bank because that money is expensive. They cannot finance our business ventures. In addition to these we have other resources which consist of the deposit accounts and other means of our enterprises. The bank has also basic capital though this is a minor amount and covers only a portion of just our daily liquidity needs. But together our resources total a few billion. And since our projects require very little money, financing causes no problem. Thus the various banking resources are not intermixed and there is no danger of us risking the state's money. On the contrary, managing other monies, we pay a decent profit to the budget.

[Question] How will the allocation of the state's capital develop in the future?

[Answer] Today I cannot yet give a precise answer to this, at most I can give an idea about its direction. It is now clear that there are some large volume developments amortized over a long period of time which cannot be financed by loan methods. International experience also indicates that the enterprises finance their major developments

not from loans but by increasing their basic capital. Even the dynamically and profitably growing enterprises have after the implementation of several small and medium investments--from loans--arrived at a point where their ability to obtain loans for additional developments has become exhausted. Then raising the capital is the solution. By expanding the possibility of increasing the basic capital, forcing back the loan sphere is not the goal.

I would like to observe that in both cases allocating capital must be tied to some kind of yield requirement. This is necessary because the banks can also put up the money of their depositors as permanent capital allocation, but at interest conditions which somewhat exceed the interest on the deposit, ensuring the bank's liquidity and thus making it possible to repay the deposits tied down for a shorter or longer period of time.

Thus allocation of the state's capital is not the only way to increase capital. That can be the source for development only at some centrally decided investments and in some cases of targets with state preference.

I would like to emphasize that no recipe can be given for where loan financing should end and increasing the basic capital should begin.

[Question] Will the conditions of capital allocation change?

[Answer] Presumably yes, but we are now working on this. That much is certain that increasing the basic capital can in no way serve to support poor economic operation by the enterprise or the reorganization of enterprise finances. The enterprises cannot expect to use as they please the possibility of increasing their base capital instead of loans which always means a greater burden.

[Question] Will the institution of state loan be kept in existence?

[Answer] The work now in progress started out from the premise that there are several methods of awarding capital. The amount of loans made by the state is very significant, it far exceeds the amount of loans for investments. Since the general organization of loans is out of the question, this amount cannot be eliminated either. It is a different question how long it will be worthwhile to use the method of organizing loans by state loans. In my opinion it is not practical to maintain this construction over the long range.

[Question] Can structural reorganization similar to that in the MNB [Hungarian National Bank] also be expected in the AFB?

[Answer] In the MNB the goal is to separate the note bank and credit bank functions. We are traveling a different road because the AFB is a unique banking institution. Clearer demarkation of the activities can be expected where financing the infrastructure and the economic sphere are better separated from each other. The market methods play a greater role in this latter, and the efficiency requirements are

definitive in financing. We are also developing the AFB's circle of business activity and if the conditions ripen we will form a business subsidiary bank based on this profit oriented activity. We are giving greater decisionmaking authority than before to the AFB's directorates and branches. This way the relationship with the partners becomes more direct and case handling will also speed up.

[Question] So far in our conversation we have discussed primarily the AFB's active dealings, but a financial institution can be called a bank only if in addition to active operations it also gives sufficient weight to passive banking operations.

[Answer] I agree so much with this that I would not even set a sequence. The passive banking operations--that is, the ones aimed at obtaining resources--are inseparable from the activity operations. When answering the question you posed it must be taken into consideration that the AFB is not a typically profit oriented business bank. In spite of this it is questionable in what proportion it is practical for the AFB to rely on refinancing a loan by the national bank and to what extent it would be desirable and reasonable to enter the money market independently and expand its resources by issuing bonds, taking deposits, handling checking accounts and by other means...

[Question] ...as far as I know, thus far no independent bank bonds of significant amounts have even been issued.

[Answer] So far the AFB has issued bonds only in partnership and handled the issuing of bonds for other parties, but one of the innovative banks within our circles of interest has already issued a minor amount of bonds and another one is now getting ready to issue some in a somewhat larger amount. The AFB must also take advantage--in harmony with the budgetary and monetary considerations--of the opportunity of issuing its own bonds.

Naturally the active banking operations are influenced by whether or not the banks can participate with equal opportunities in the passive operations. If not, then the danger exists that some banks inherently obtain their money more expensively--the savings that can be mobilized--than other banks. And in that case the opportunities for placing the money cannot be the same either. This is why I mentioned earlier that the AFB's business activity is still very limited and the conditions are not ripe yet for establishing a subsidiary business bank.

[Question] This can also be interpreted to say that since the AFB's primary money source is budgetary allocation and refinancing loans, it is inherently in a more disadvantageous situation?

[Answer] For the AFB to expand its business activity and be able to do so under the same conditions as other banks, it would be necessary to expand its passive banking operations in such a way as to also be

able to obtain less expensive money than the refinancing loan. But this can be imagined only in the process of the banking system's growth. But it will soon have to be evaluated how large a portion of the refinancing loan the AFB can replace with direct money market operations, primarily by issuing bonds and collecting deposits.

[Question] By decentralizing the passive banking operations to several banks, redistribution of savings among the banks will inevitably also take place.

[Answer] That is right, but this can occur only gradually, and the partner's choice of banks will also play a role in this. But only gradually can the monetary sphere eliminate its budget management character, and the very high ratio of refinancing by the note bank also reflects this.

[Question] The banks pay their entire profit to the budget, that is, they work with a 100-percent tax key. Could not the strengthening of the business character of the banking operation, if you prefer the enterprise-like operation of the banks also presume the development of an income regulating system for them?

[Answer] A new taxing or income regulation system is being developed, but this can also gain more merit only together with the growth of the banking activity. Do not forget that the banking organization as well as the banking operations are results of a historical process and here everything cannot be changed to a new track on one calendar day...

[Question] ...it is no secret that some people--to put it mildly--feel they have discovered excessive cautiousness behind the steps planned for the development of the banking system--among other things, the "in house" separation of the note bank and credit banking activities.

[Answer] I am convinced that they are not right. No matter how trivial it sounds, I must also say that the person learning to swim feels safe only if he can stand up in the pool when necessary. This is also the situation with the modernization of the banking system. We are not in the position to pay a high tuition for learning new types of tasks. And many new methods must be applied. And the "classroom material" is not even ready yet. I am referring to the lack of finalization of the note bank regulations. But do not forget that we are simply not speaking of organizations but primarily of thousands of people learning to "swim."

It is true that when 2 or 3 years from now we will be evaluating the experience of changes which began in 1985, we will have to be aware that their effects will be inherently more limited than those of a consistent solution, that at times like this not only those forces effective in the direction of the goal are operating, thus some undesirable side effects also must be expected. The goal--and I cannot emphasize this enough--is not the organizational change but that the banks could really become business partners of the enterprises and this is possible only if it can be clearly shown how effectively they are managing the savings of their depositors. Improvements of the banking methods and the organizational changes must serve this goal.

HUNGARY

TRADE RELATIONS WITH CUBA DESCRIBED

Budapest METI VILAGGAZDASAG in Hungarian No 50, 15 Dec 84 p 13

[Article: "Hungarian-Cuban Trade"]

[Text] To replace the neglected Havanna restaurant in Budapest, a new Cuban restaurant will open next year in a yet unannounced location, and in the capital of the island nation a Hungarian restaurant will probably be opened. This was the agreement of the domestic trade organizations of the two countries in recent days. Taking past successes as a measure, Cuban flavors and drinks are certain to be popular in our country if only because Cuban delicacies such as pineapple, mango, papaya and guava, not to mention such common Cuban products as bananas, are rarely if ever available in stores.

As reported by the Hungarian trade councilman in Havana, Miklos Marinov, the trade between the countries this year will amount to 177 million rubels, up 10 million from last year. "Even in the long run Cuba remains our most important source of tropical fruit, providing Hungary's entire grapefruit supply and 25-30 percent of orange imports," says the councilman. "The safe export of other tropical fruits, such as the pineapple and the banana, is prevented by the size of the crop and the infrastructural backwardness," he adds. We will import 16 thousand tons of citrus fruits from Cuba this year, compared to 14.2 thousand tons last year. It must be added to the truth here that the enormous distance occasionally causes concern in planning and shipping.

Hungary, along with the USSR, Bulgaria, Czechoslovakia and GDR ships machinery and herbicides in the citrus program begun in 1981 with CEMA support. In this program Cuba exports the major portion of its tropical fruit crop to the CEMA nations, and reserves only a smaller part for domestic distribution or West European markets.

Cuban exports to Hungary consist in 90 percent of agricultural goods, namely sugar, with rum, liqueur and Cuban cigars also on the list, and this year for the first time Hungarian foreign trade also purchased potatoes from Cuba. The councilman related that the marble used in Budapest Metro stations is, interestingly enough, partly from Cuba. Chrome and nickel are important imports, as well as ethyl alcohol for pharmaceutical and liquor concerns. Along with the CEMA nations, Hungary participated in the

realization of the Las Camariocas nickel and cobalt processing plant. (This investment was arranged in the CEMA framework in 1975.) The importance of the cooperative effort is that after the success of the investment, from 1990 Cuba will pay for Hungarian shipments in products containing nickel and cobalt.

Machine products dominate in the Hungarian shipments, according to the councilman. The most important is the cooperative autobus manufacturing, as well as broadcasting equipment, various special mechanisms, educational equipment and agricultural machines. In the Cuban national view, the Hungarian trade in groceries, especially chicken, animal fat and canned meat products is very important.

An agreement between the countries in 1978 made the autobus industry cooperation possible. Presently almost 2000 Ikarus buses operate in Cuba. A plant was built in Guanajay, nearly 60 kilometers from Havana, where the daily capacity is the assembly of 4-5 buses. Ikarus shipped the parts for 680 buses to Cuba last year and 770 this year, all of which were assembled there. (Between 1981-1985, the two sides projected the export of a total of three thousand Hungarian sets of parts.) Most are city buses; the inter-city bus has just been introduced, and next year jointed buses will be assembled. Hungary has sent half the sets on trade credit, and half in the framework of trade activity.

9890

CSO: 2500/156

POLAND

#### GEOGRAPHICAL DISTRIBUTION OF CROPS PRESENTED

Warsaw ZAGADNIENIA EKONOMICZNE ROLNEJ in Polish No 1, Jan-Feb 84 pp 23-37

[Article by Krzysztof Korelski, Agricultural Academy, Krakow: "Physiographic Limitations of Farm Crops Growing in Poland"]

[Text] A plan-based reconstruction of rural areas in accordance with the principles of land use management economics<sup>1</sup> should be based on a knowledge of their potential capacities and the existing limitations. The limitations of planned production, which constitute one of the barriers to the development of land use management, can be caused by natural, socioeconomic or organizational conditions. Among the environmental factors, two main groups of limitations of farmland use are distinguished: physiographic and agrologic. In contrast to the somewhat artificially formulated sociological limitations of farm land use management, the physiographic barriers (which are caused by climatic, soil and geomorphological conditions) impose natural constraints on agricultural quality and utility of histories [4].

The influence of physiographic elements (the natural factors of production) on the economic output measured by crop yields is not the sum total of individual factors, but generally is governed by relations formulated in the systems theory of L. von Bertalanffy and also by the quantity and type of factors and their interrelationships [3]. The effects of the various factors on crop harvests are also controlled by the law of the minimum formulated back in 1840 by J. Liebig and later elaborated upon by many investigators [including 1, 2, 5, and 7]. In particular, the principle of ecologic equivalence formulated by G. Azzi indicates the possibility of substituting the deficiencies of certain characteristics by others within certain limits; studies by L. Mitscherlich indicate that an increment in harvests associated with a unit of "lacking" (limiting) factor is proportional to the difference between the maximum possible productive effect and that actually obtained.

In this study, we evaluate the limitations of farm crop harvests by physiographic factors in Poland analyzed by individual provinces. The limitations are quantified in terms of percentages of arable land, areas of the individual

<sup>1</sup>"Land use management economics" is defined by M. Urban [8] as the application of economic cost-benefit analysis to comprehensive planning of land use management.

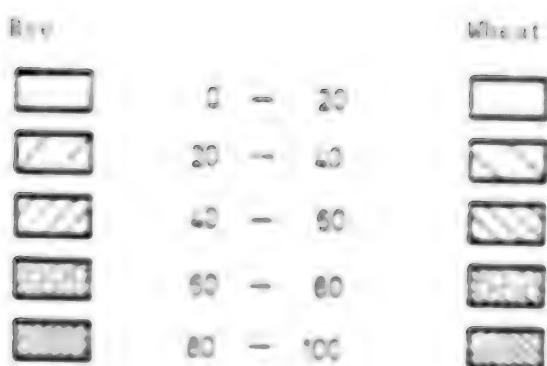
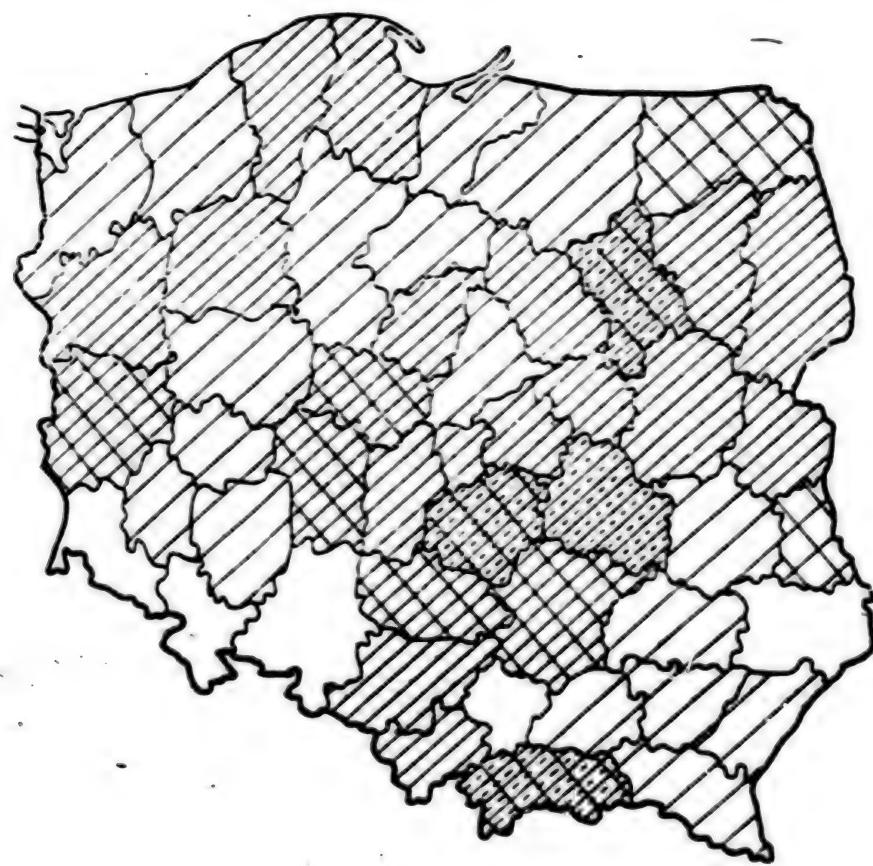


Fig. 1. Limitations to rye and wheat growing (percent of arable land).



Barley

[Empty Box]	0 - 20
[1 diagonal line]	20 - 40
[2 diagonal lines]	40 - 60
[3 diagonal lines]	60 - 80
[4 diagonal lines]	80 - 100

Oats

[Empty Box]
[1 diagonal line]
[2 diagonal lines]
[3 diagonal lines]
[4 diagonal lines]

Fig. 2. Limitations to barley and oats growing (percent of arable land)

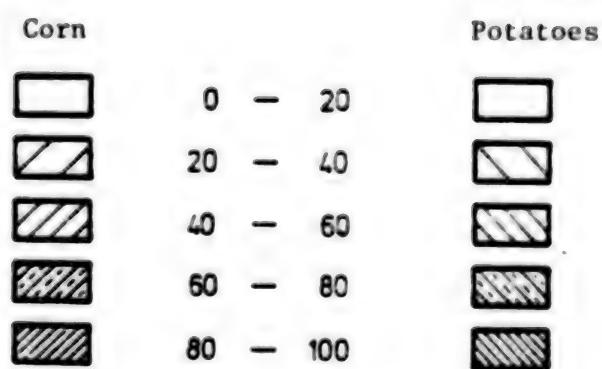
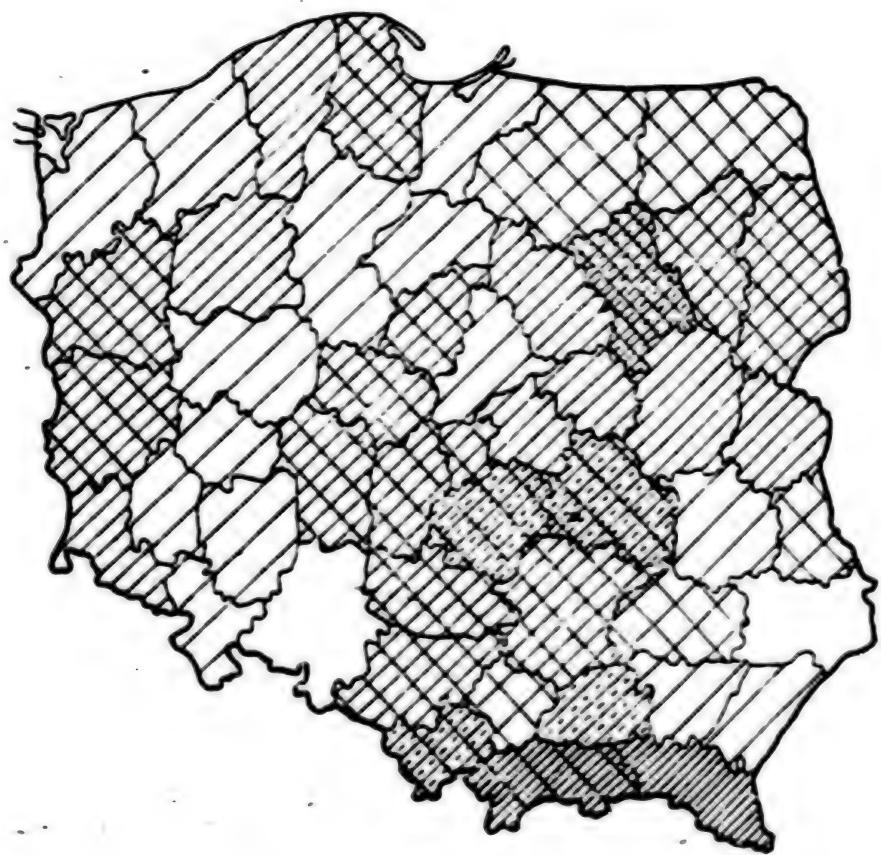


Fig. 3. Limitations to corn and potato growing (percent of arable land)

administrative entities and the natural conditions unfavorable for the main farm crops (making their growth difficult or impossible) using the corresponding tables, compiled by the IUNG [6].<sup>2</sup>

The analysis covers 12 commonly grown crops, including grain crops (rye, wheat, spring barley, oats and grain corn), root crops (potatoes, sugar beets and fodder beets), industrial crops (spring rape, tobacco) and fodder crops (alfalfa and red clover). These crops are sown on over 80 percent of arable land, characterized by a broad variation of ecological requirements (some of these function as indicator or co-indicator plants of the soil-farm complexes). Basically, they cover the entire spectrum of main farm crops in Poland. Five conventional physiographic categories of crop growth limitations are distinguished:

- 1) very weak: affecting up to 20 percent of arable land;
- 2) weak: affecting 20 to 40 percent of arable land;
- 3) medium: 40 to 60 percent of arable land;
- 4) strong: 60 to 80 percent of arable land;
- 5) very strong: affecting 80 percent or more of arable land.

Special attention in the following analysis is given to conditions belonging to the last two categories of limitations.

#### Spatial Characteristics of Physiographic Limitations

The various susceptibilities of plant species to environmental conditions are reflected in the magnitude of limitations to their possible growth. The crops under study are ranked according to decreasing areas unsuitable for them: tobacco (62.7 percent), sugar beets (60.9), wheat (50.3), rape (45.7), corn (42.7), alfalfa (40.9), barley (39.3), fodder beets (35.1), clover (34.1), potatoes (20.8), oats (15.9) and rye (10.6). The above numbers indicate in particular that Poland's natural conditions greatly limit (category 4) the possibilities (the areas) for growing tobacco and sugar beets, but impose weak limitations to rye and oat crop production.

The group of grain crops generally is confined within the physiographic categories 1-4 (Zamosc Province 14.1 percent, Nowy Sacz 64.4 percent of arable land). Strong limitations to these crops (Nowy Sacz) are offered by agroclimatic conditions (just 29.3 percent of grain growing units), a large proportion of areas with unfavorable terrain (73 percent), heavy erosion (degree 5) and low grade soils (37.2 soil evaluation points). Strong limitations of areas suitable for rye crops (category 4) are observed only in Nowy Sacz Province.

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<sup>2</sup>The data on the percentages of individual soil-farm complexes as related to total arable land areas of provinces are given as of Jan 1, 1980 [9].

Table 1

## Limitations to Areas Available for Farm Crop Growing as Related to Natural-Agricultural Parameters

Województwa	24) Ograniczenia (procent gruntów ornych)										
	25) zdozowe					26) okopowe					
	życie	pasenica	leczmien	owies	kukurydza	Razem	ziemniaki	buraki cukrowe	buraki pastewne	Razem	
1	2	3	4	5	6	7	8	9	10	11	
POLAND	10,6	503	39,3	15,9	42,7	31,8	20,8	60,9	35,1	38,9	
Warsaw	18,3	69,1	54,5	13,3	54,5	41,9	20,0	72,8	45,8	46,2	
Bialskopodlaskie	6,5	69,3	47,4	9,0	47,4	35,9	15,4	75,8	36,8	42,7	
Bialostockie	8,0	62,0	52,2	14,9	52,2	37,9	22,7	70,0	39,5	44,1	
Bielskie	16,9	28,4	43,6	10,0	80,0	35,8	26,1	62,2	28,2	38,8	
Bydgoskie	2,9	53,4	31,1	11,5	31,1	26,0	13,2	56,3	28,4	32,6	
Chełmskie	16,4	44,7	31,9	24,6	31,9	29,9	24,6	61,1	35,7	40,5	
Ciechanowskie	3,2	67,8	40,7	15,2	40,7	37,1	18,3	71,0	43,4	44,2	
Czestochowskie	11,6	68,2	56,2	21,2	56,2	42,7	27,6	79,8	49,1	52,2	
Elbląskie	15,8	17,6	20,1	7,9	20,1	16,3	17,8	33,2	15,3	22,1	
Gdańskie	5,8	58,4	40,4	18,3	40,4	32,6	20,7	65,4	39,8	42,0	
Gorzowskie	7,3	61,2	44,1	18,1	44,1	35,0	21,9	68,5	39,5	43,3	
Jeleniogórskie	21,4	38,2	15,7	16,0	47,5	25,4	16,7	52,0	29,7	36,1	
Kaliskie	2,6	65,0	52,6	22,5	52,6	39,1	24,4	67,6	24,6	38,8	
Katowickie	16,9	49,6	40,5	15,9	40,5	32,7	22,9	65,8	39,6	42,8	
Kieleckie	28,0	40,7	46,1	25,6	46,1	36,9	38,3	66,7	52,5	52,5	
Konińskie	3,8	70,7	56,8	23,4	56,8	42,3	26,6	74,5	46,6	49,2	
Koszalińskie	5,4	54,0	38,0	12,0	38,0	29,5	16,0	59,4	33,0	36,1	
Krakowskie	23,7	11,4	18,0	11,7	29,1	18,8	21,4	36,1	17,6	25,0	
Krośnieńskie	21,5	17,0	20,8	3,2	99,3	32,4	7,0	54,0	17,7	26,2	
Legnickie	14,6	31,6	22,2	14,9	23,1	21,3	19,1	45,8	27,5	30,8	
Leszczyńskie	4,4	48,2	34,9	13,6	34,9	27,2	15,5	52,6	31,1	33,1	
Lubelskie	11,0	37,4	23,5	14,0	23,5	21,9	16,8	48,3	27,5	30,9	
Lomżyńskie	8,7	57,4	49,5	16,5	49,5	36,3	24,4	66,1	37,9	42,8	
Lodz	2,3	75,2	58,9	17,9	58,9	42,6	20,2	77,5	49,0	48,9	
Nowosądeckie	65,2	62,9	63,2	28,9	99,9	64,4	31,2	89,6	62,9	61,2	
Olsztyńskie	13,2	40,5	29,7	17,2	29,7	26,1	21,0	53,7	34,8	36,5	
Opolskie	12,9	26,2	15,4	8,9	15,4	15,8	14,4	39,1	16,5	23,3	
Ostrołęckie	2,6	86,9	78,2	38,1	78,2	56,8	40,4	89,5	70,8	68,9	
Piaseckie	3,9	63,3	43,2	15,3	43,2	33,8	17,8	67,2	37,4	40,8	
Piotrkowskie	3,7	76,2	60,2	21,7	60,2	44,4	25,0	79,9	49,9	51,6	
Płockie	4,0	45,0	33,7	9,7	33,7	25,2	13,4	69,0	28,6	29,7	
Poznańskie	4,8	57,6	38,4	13,3	38,4	30,3	16,4	62,4	32,3	37,0	
Przemyskie	11,9	22,0	20,2	7,8	38,8	20,1	13,6	39,1	15,4	22,7	
Radomskie	9,2	68,7	60,1	15,7	60,1	42,8	24,6	77,9	43,6	48,7	

[table continued on following page]

Table 1 (continued)

27) przemysłowe			28) pastewne			Ogółem (12 rośliń)	29) Parametry przyrodniczo-rolnicze						
rzepak	tytoń	Huzem	lucern	konicyzna	Huzem		bonitacja gleb ornych		agroklimat. jedn. zbożowych	rzepka % terenów b. niekorzystn.	erozja powietrznaowa (1+5y)	stosunki wodne (% terenów b. niekorzystn.)	
							12	13					23
4,50	62,7	53,8	40,9	34,1	37,5	38,2	50,2	32,6	6	1	16		
55,2	72,8	64,0	54,5	45,8	50,1	48,1	44,4	32,5	—	1	26		
47,5	75,8	61,6	47,4	36,8	42,1	42,9	43,9	32,2	—	1	14		
52,4	70,0	61,2	52,2	39,5	45,8	44	40,4	31,5	—	1	24		
61,3	81,7	71,5	60,0	10,4	35,2	42,4	51,2	30,6	32	4	4		
32,3	56,3	44,3	31,1	28,4	29,7	31,3	55,5	32,2	—	1	12		
43,5	61,1	52,3	31,9	35,7	33,8	36,9	53,4	32,8	—	1	15		
49,8	71,0	60,4	49,7	43,4	48,6	44,3	44,3	32,0	—	1	24		
61,4	79,8	70,6	56,2	40,1	52,6	51,4	39,7	39,9	—	2	26		
25,8	33,2	29,5	20,1	15,3	17,7	20,2	63,3	31,9	—	1	8		
43,6	65,4	54,5	40,4	39,8	40,1	39,8	45,7	31,7	—	2	20		
47,6	68,5	58,1	44,1	39,5	41,8	42,0	47,0	33,0	—	1	11		
50,8	73,4	62,1	36,1	24,0	30,1	34,9	51,7	32,1	25	4	8		
53,3	67,6	60,4	52,6	24,4	38,5	42,5	44,7	33,7	—	1	17		
49,7	65,8	57,7	40,5	39,6	40,1	40,6	50,6	33,7	2	2	17		
59,4	66,7	63,1	46,1	52,5	49,3	47,2	51,9	33,1	28	4	19		
57,5	74,5	65,9	56,8	46,6	51,7	48,9	43,2	33,0	—	1	19		
39,4	59,4	49,4	38,0	33,0	35,5	35,5	44,4	32,4	—	1	17		
33,0	42,1	37,6	23,1	14,8	18,9	23,5	69,3	33,8	22	3	6		
54,0	100,0	77,0	53,3	3,2	28,2	37,6	51,5	31,7	63	5	5		
33,0	46,9	39,9	22,8	27,3	25,0	27,4	59,5	33,8	3	2	18		
37,4	52,6	45,0	34,9	31,1	33,0	32,6	54,4	34,0	—	1	12		
31,6	48,3	39,9	23,5	27,5	25,5	27,7	62,2	33,2	—	3	13		
50,3	66,1	58,2	49,5	37,9	43,7	42,8	41,3	31,5	—	1	21		
58,9	77,5	68,2	58,9	49,0	53,9	50,3	40,9	32,9	—	1	19		
89,6	99,9	94,7	89,6	28,9	59,2	67,8	37,2	29,3	73	5	6		
39,1	53,7	46,4	29,7	34,8	32,2	33,1	51,7	31,7	—	1	17		
22,8	39,1	30,9	15,4	16,5	15,9	20,2	58,5	34,5	2	2	6		
78,5	89,5	84,0	78,2	70,8	74,5	68,8	33,0	32,0	—	1	26		
44,6	67,2	55,9	43,2	37,4	40,3	40,3	45,	32,5	—	1	18		
60,6	79,9	70,2	60,2	49,0	55,1	52,3	38,8	33,5	—	2	23		
34,0	49,0	41,5	33,7	26,6	30,1	29,9	53,7	32,5	—	1	18		
40,1	62,4	51,2	38,4	32,3	35,3	36,4	51,4	33,2	—	1	12		
30,4	51,1	40,7	26,8	14,3	20,6	34,3	63,2	33,1	7	3	9		
60,4	77,9	69,2	60,1	43,6	51,8	50,1	44,7	33,2	4	1	17		

[table continued on following page]

Table 1 (continued)

1	2	3	4	5	6	7	8	9	10	11	
Rzeszowskie	9.4	34.2	31.4	12.4	31.4	23.8	17.3	48.6	28.6	30.8	
Siedleckie	3.5	65.7	50.9	15.0	50.9	37.2	18.4	69.2	42.0	43.2	
Sieradzkie	3.6	70.1	58.0	20.0	58.0	41.9	23.4	73.7	47.5	48.2	
Skierkiewickie	4.6	64.8	48.3	14.1	48.3	36.0	18.6	69.4	38.2	42.1	
Slupskie	3.5	58.0	40.7	15.4	40.7	31.3	18.1	62.2	37.0	39.1	
Suwalskie	23.7	40.7	34.7	32.3	34.7	33.3	37.3	64.4	47.3	50.1	
Szczecinskie	4.5	53.0	28.6	8.5	28.6	24.6	10.6	57.5	26.6	31.6	
Tarnobrzeskie	13.8	36.1	33.9	16.3	33.9	26.8	23.2	49.7	29.8	34.2	
Tarnowskie	17.2	27.4	32.5	7.5	60.5	29.0	18.9	53.2	17.3	29.8	
Toruńskie	10.2	37.4	25.3	12.8	25.3	22.2	17.8	47.4	24.1	29.8	
Walbrzyskie	23.0	17.8	15.0	13.1	34.3	20.6	14.8	41.3	23.5	26.5	
Wielkopolskie	12.4	50.2	43.8	16.2	34.8	33.3	26.1	62.5	30.4	39.7	
Wrocławskie	10.6	33.8	22.2	14.1	22.2	20.6	16.4	44.4	27.7	29.5	
Zamojskie	11.2	25.5	10.9	12.0	10.9	14.1	13.9	36.7	17.8	22.8	
Zielonogórskie	4.3	72.7	56.5	20.6	56.5	42.1	23.9	77.0	50.7	50.5	
12	13	14	15	16	17	18	19	20	21	22	23
40.9	65.5	53.2	37.9	26.1	32.0	33.7	53.8	33.7	13	3	9
51.0	69.2	60.1	50.9	42.0	46.4	44.1	43.5	32.4	—	1	23
58.2	73.7	65.9	58.0	47.5	52.7	49.3	41.8	33.7	—	1	20
48.4	69.4	58.9	48.3	38.2	43.2	42.6	44.9	33.1	—	1	18
41.4	62.2	51.8	40.7	37.0	38.8	38.1	45.9	31.7	—	2	16
54.0	64.4	59.2	34.7	48.7	41.7	43.2	42.7	30.8	—	2	15
31.0	57.5	44.2	28.6	26.6	27.5	30.1	54.7	33.0	—	1	10
40.4	49.7	45.1	33.9	29.8	31.8	32.5	59.1	33.6	4	2	14
45.0	70.1	57.5	43.6	15.4	29.5	34.1	53.4	34.0	21	3	8
30.3	47.4	38.8	23.3	24.1	24.7	27.3	56.1	32.0	—	1	12
36.8	49.3	43.0	26.3	15.1	20.7	23.8	63.3	31.4	40	4	11
46.2	62.5	54.3	43.8	30.4	37.1	29.0	50.1	32.2	—	1	14
30.5	44.4	37.4	22.2	27.7	24.9	26.3	61.5	34.2	—	2	18
26.2	36.7	28.4	10.9	17.8	14.3	18.7	70.4	33.0	—	2	14
57.5	77.0	67.2	56.5	50.7	53.6	50.3	42.7	33.6	—	1	14

## Footnotes

a: 1--very weak; 2--weak; 3--moderate; 4--average; 5--strong.

b: Regular excess or deficit of moisture.

Data on soil valuation, agroclimate, relief and water conditions based on materials of IUNG [9].

## Key:

1--province; 2--rye; 3--wheat; 4--barley; 5--oats; 6--corn; 7--total; 8--potatoes; 9--sugar beets; 10--fodder beets; 11--total; 12--rape; 13--tobacco; 14--total; 15--alfalfa; 16--clover; 17--total; 18--grand total (12 crops); 19--valuation of arable land; 20--agroclimate, in grain units; 21--relief: percentage of highly unfavorable terrains; 22--surface erosion (1+5)<sup>a</sup>; 23--water conditions (percent of highly unfavorable terrains)<sup>b</sup>; 24--Limitations (percent of arable land); 25--grain crops; 26--root crops; 27--industrial crops; 28--fodder crops; 29--natural-agricultural parameters.

Wheat crop possibilities are limited strongly and very strongly (Ostroleka Province) in 17 provinces in the central lowland part of the nation due to soil conditions (an average quality value of about 54 points and unfavorable water conditions prevailing on 90 percent of the area), as well as in mountain terrains of Nowy Sacz Province, mainly due to harsh climatic and morphological conditions (agroclimatic, 29.3 grain growing units, with 73 percent of unfavorable terrain areas and strong water erosion). Strong limitations of wheat growing are observed in Ostroleka Province (category 5) due to low soil quality (33 points, unfavorable water conditions on 26 percent of the area).

Strong limitations for barley crops are observed in four provinces in central and southern Poland. These are due to factors similar to those limiting wheat growth. Oats, as well as potatoes, have no strong limitations in Poland. Corn crops are limited strongly and very strongly in seven provinces in central (lowland) and southern (mountain) parts of the nation. The worst conditions for these crops (category 5) are in Nowy Sacz and Krosno Provinces (limitations on almost 100 percent of arable land). These stem from unfavorable terrain (68 percent of the area), strong erosion (class 5) and unfavorable agroclimatic conditions on about 30.5 percent of grain growing units.

The group of root plants, as well as grain crops, are subject to physiographic limitations of categories 1 to 4 (Elblag Province, 22.1 percent, Ostroleka 66.9 percent of arable land). Strong limitations (category 4) are associated with unfavorable edaphic conditions (Ostroleka), as well as climatic and geomorphologic conditions (Nowy Sacz). Sugar beets are subject to strong limitations (category 4), especially in provinces with lowland areas (25 units) or mountain areas (two units). The limitations of category 5 occur in two provinces. Sugar beets are associated with strong limitations on a large part of soils with unfavorable water supply conditions (on average 18 percent of arable land) and low soil quality (about 45 points). In provinces belonging to limitation category 5, unfavorable climatic and geomorphologic conditions (Nowy Sacz), as well as soil and water conditions (Ostroleka) are seen. Strong limitations to fodder beet crops (on average 67 percent of arable land) occur also in Nowy Sacz and Ostroleka Provinces.

Industrial crops are subject to natural limitations of categories 1 to 5 (Elblag Province 29.5 percent, Nowy Sacz 94.7 percent of arable land). Strong and very strong limitations to these crops occur on lowland and highland areas. Rape crops experience strong physiographic limitations due to unfavorable water and soil conditions in four lowland and highland provinces (soil evaluation 33-44.7 points, with 17 to 26 percent of areas with unfavorable water conditions), as well as to agroclimatic and geomorphologic limitations in the case of mountainous terrains in Bielsko-Biala Province (30.6 crop growing units, 32 percent of terrain with unfavorable topography). Limitations of category 5 are observed in Nowy Sacz Province.

Tobacco crops are subject to strong limitations (on average 70 percent of arable land) due to physiographic conditions in 28 provinces on lowlands and highlands. Very strong limitations (on average 93 percent of arable land) exist in mountain provinces (Bielsko-Biala, Krosno and Nowy Sacz) due to



**Sugar beets**

[White box]	0 - 20
[Diagonal lines]	20 - 40
[Horizontal lines]	40 - 60
[Cross-hatch]	60 - 80
[Vertical lines]	80 - 100

**Fodder beets**

[White box]
[Diagonal lines]
[Horizontal lines]
[Cross-hatch]
[Vertical lines]

**Fig. 4. Limitations to sugar beet and fodder beet growing (percent of arable land)**

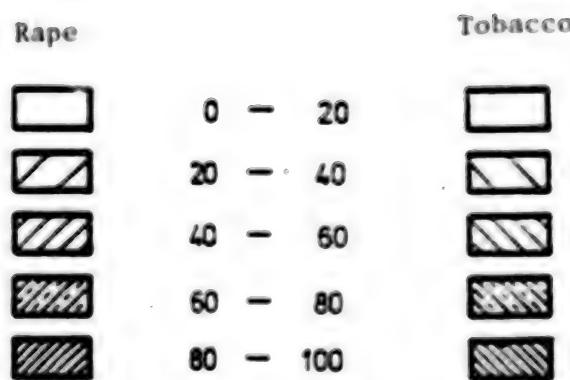


Fig. 5. Limitations to rape and tobacco growing (percent of arable land)

climatic and geomorphological factors and in Ostroleka due to water and soil factors (dry sandy soils).

The group of fodder crops is mainly within physiographic limitation categories 1-4 (ranging from Zamosc Province with 14.3 percent to Ostroleka Province with 74.5 percent of arable land unsuitable for these crops). Strong limitations to alfalfa crops exist in Ostroleka, Piotrkow and Radom Provinces (average conditions: soil grade about 39 points, agroclimate 33 grain units, very unfavorable water conditions on 22 percent of arable land). Limitations of category 5 are observed in Nowy Sacz Province (89.6 percent of arable land affected). Clover crops experience strong limitations in Ostroleka Province mainly due to moisture deficits and dry sandy soils.

Generally, for crops under study (Fig. 7), physiographic limitations range from category 1 to category 4 (from Zamosc Province with 18.7 percent to Nowy Sacz with 67.8 percent of arable land affected). Very weak limitations (category 1) exist only in Zamosc Province. Weak limitations (category 2) exist in 25 provinces, of which seven are subject to strong limitations (category 4) of such crops as tobacco (six provinces) and sugar beets (five provinces). The natural conditions of Krosno Province offer strong limitations (category 5) to growing corn and tobacco crops.

The area with medium limitations to crops under study (category 3) embraces 21 provinces, including 21 with strong limitations to wheat and sugar beets, 16 to wheat, five to rape, three to corn, as well as two provinces with limitations to the growth of barley and alfalfa [figures as published].

Areas with strong limitations to crop growing (category 4) include two provinces: Nowy Sacz and Ostroleka. Strong limitations (category 4) concern: wheat, barley, corn, fodder beets, rape, alfalfa and clover; very strong limitations (category 5) concern wheat, corn, sugar beets, rape, tobacco and alfalfa.

#### Conclusions

The investigations confirm that, on lowland and highland, physiographic limitations to crop growing are due mainly to soil properties (including water conditions), while in mountain areas they are associated with climatic conditions, which are mainly determined by the topography of the terrain (altitude above sea level, gradient and exposure of slopes).

On average, strongest limitations to crop growing exist in the mountainous Nowy Sacz Province and the lowland Ostroleka Province, both in category 4.

More than half of the arable land in Poland has unfavorable conditions for growing crops with strong ecological requirements: tobacco, sugar beets and wheat. Strong and very strong limitations to these crops (categories 4 and 5) exist: for tobacco in 31 provinces, for sugar beets in 27 and for wheat in 17.



Alfalfa



0 - 20



20 - 40



40 - 60



60 - 80



80 - 100

Clover



Fig. 6. Limitation to alfalfa and clover growing (percent of arable land)

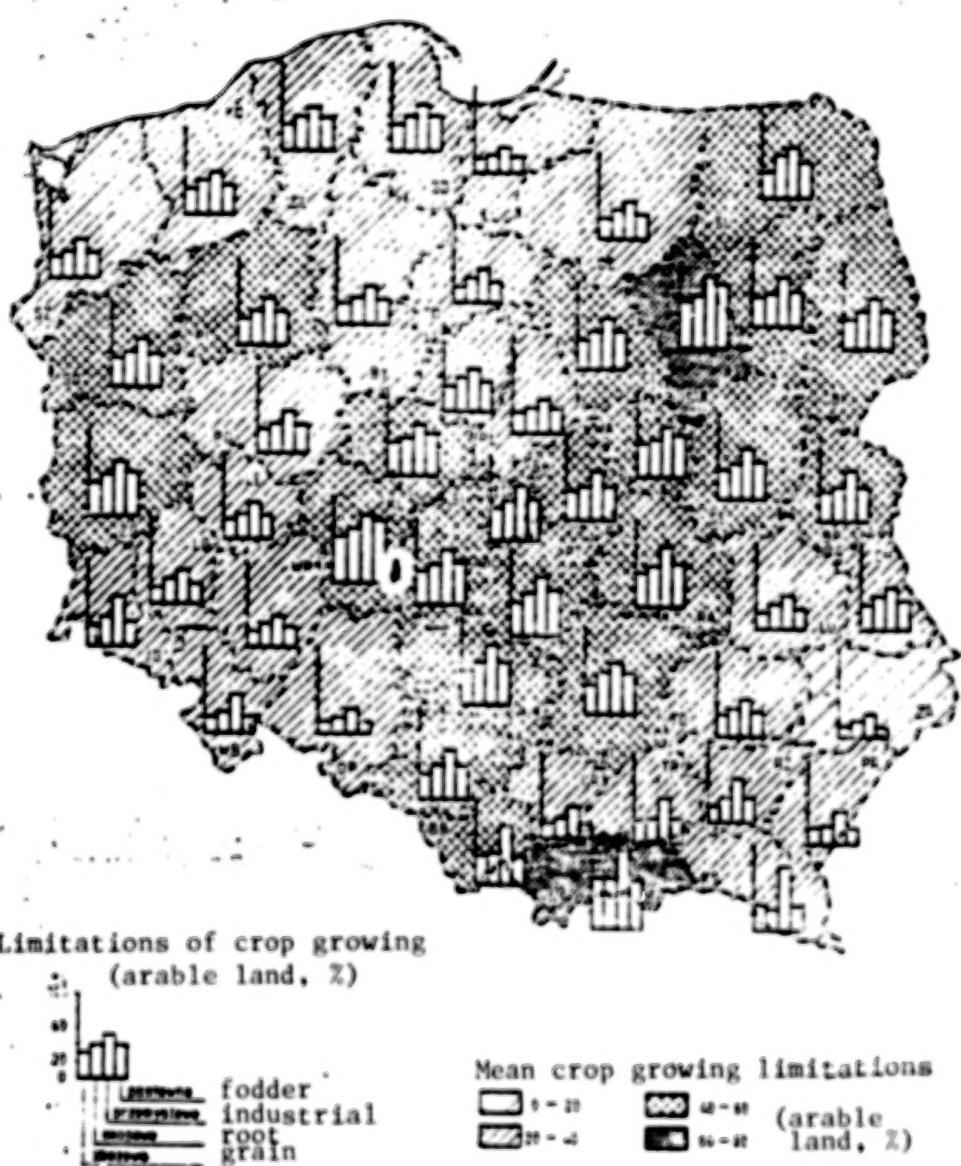


Figure 7.

Ecological conditions of Poland generally offer insignificant limitations (11 to 25 percent of arable land) to growing of oats, rye and potatoes. None of the provinces have strong limitations to the growing of oats and potatoes, while rye crops are subject to strong limitations (category 4) only in Nowy Sacz.

The results of this study could be useful in making, planning and implementing farm management decisions aimed at more efficient utilization of the nation's arable land and adaptation of crop production to the natural properties of ecological areas and consequently zoning and specialization of farm production in accordance with the physiographic as well as administrative units.

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